

First name and initial	Last name	Social Security number (SSN)	Date of birth (mm/dd/yyyy)
Spouse's first name and initial	Spouse's last name	Spouse's SSN	Spouse's date of birth (mm/dd/yyyy)

Please print clearly.

- 1 Enter the taxable income from your 2015 Oregon Form 40, line 21 1
- 2 Enter your **elected farm income**. Do not enter more than the amount on line 1 2
- 3 Line 1 minus line 2 3
- 4 Figure the tax on the amount on line 3 using the 2015 Tax Tables or Tax Rate Charts from Form 40 instructions, whichever applies, and enter here 4

2012 Taxable Income

- 5 If you used FIA to figure your tax for 2012, 2013, or 2014, see instructions. Otherwise, enter the taxable income from your 2012 Form 40, line 28; If -0- or less, see instructions 5
- 6 Divide the amount on **line 2** by 3.0 and enter here 6
- 7 Add line 5 and 6. If -0- or less, enter -0- 7
- 8 Figure the tax on the amount on line 7 using the 2012 Tax Tables or Tax Rate Charts, whichever applies (or fill in recomputed tax from Schedule Z, see instructions)..... 8

2013 Taxable Income

- 9 If you used FIA to figure your tax for 2013 or 2014, see instructions. Otherwise, enter the taxable income from your 2013 Form 40, line 28. If -0- or less, see instructions..... 9
- 10 Enter the amount from line 6 10
- 11 Add lines 9 and 10. If -0- or less, enter -0- 11
- 12 Figure the tax on the amount on line 11 using the 2013 Tax Tables or Tax Rate Charts, whichever applies (or fill in recomputed tax from Schedule Z, see instructions)..... 12

2014 Taxable Income

- 13 If you used FIA to figure your tax for 2014, see instructions. Otherwise, enter the taxable income from your 2014 Form 40, line 28. If -0- or less, see instructions 13
- 14 Enter the amount from line 6 14
- 15 Add lines 13 and 14. If -0- or less, enter -0- 15
- 16 Figure the tax on the amount on line 15 using the 2014 Tax Tables or Tax Rate Charts, whichever applies (or fill in recomputed tax from Schedule Z, see instructions)..... 16
- 17 Add lines 4, 8, 12, and 16..... 17

Computation of 2015 Tax

- 18 **2012 tax.** If you used FIA to figure your tax for 2014, enter the amount from your 2014 FIA-40, line 12; FIA-40N, line 12; or FIA-40P, line 11. If you did not use FIA in 2014 but did in 2013, enter the amount from 2013 FIA-40, line 16; FIA-40N, line 13; or FIA-40P, line 12. If you did not use FIA in 2014 or 2013 but did in 2012, enter the amount from 2012 FIA-40, line 4; FIA-40N, line 9; or FIA-40P, line 8. Otherwise, enter the tax from your 2012 Form 40, line 29; Form 40N, line 51; or Form 40P, line 50 18

— Don't include this form with your Oregon return. Keep it with your records. —

19 **2013 tax.** If you used FIA to figure your tax for 2014, enter the amount from your 2014 FIA-40, line 16; FIA-40N, line 13; or FIA-40P, line 12. If you did not use FIA in 2014 but did in 2013, enter the amount from 2013 FIA-40, line 4; FIA-40N, line 9; or FIA-40P, line 8. Otherwise, enter the tax from your 2013 Form 40, line 29; Form 40N, line 51; or Form 40 P, line 50 19

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20 **2014 tax.** If you used FIA to figure your tax for 2014, enter the amount from your 2014 FIA-40, line 4; FIA-40N, line 9; or FIA-40P, line 8. Otherwise, enter the tax from your 2014 Form 40, line 29; Form 40N, line 51; or Form 40P, line 50 20

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21 Add lines 18, 19, and 20 21

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22 Line 17 minus line 21 22

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23 Figure the tax on the amount on line 1 using the 2015 tax tables or tax rate charts from Form 40 instructions, whichever applies, and enter here 23

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24 Is line 22 less than line 23? If yes, enter the amount from line 22 here and on Form 40, line 22, and check box 22a on Form 40. If no, **STOP:** your tax is not reduced by using FIA. Complete your Form 40 without using FIA..... 24

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INSTRUCTIONS FOR 2015 FORM FIA-40 Farm Income Averaging

You may elect to figure your 2015 tax by averaging, over the previous three years (base years), all or part of your 2015 taxable farm income.

You will need copies of your original or amended Oregon income tax returns for tax years 2012, 2013, and 2014. You can obtain copies of prior years' returns for a fee from the Oregon Department of Revenue. You will also need tax booklets for those years. You can download forms and instructions from our website or see page 4 to contact us by phone.

If you filed an Oregon part-year or nonresident return in any of the three base years, you will need Schedule Z, Computation of Tax, to complete Form FIA-40. If any of the three base years are part-year or nonresident returns, ignore the computation of tax for the applicable year on Form FIA-40 and complete Schedule Z. Fill in the computed tax from Schedule Z on lines 8, 12, and 16.

Farm income averaging cannot be used with the pass-through entity income reduced tax rate under ORS 316.043.

Elected farm income

Your elected farm income is the amount of your taxable income from farming that you elect to include on Form FIA-40, line 2. This is the amount from a farming business on federal Schedule J, line 2, if you elect to use farm income averaging for federal. Do not enter more than the amount on Form FIA-40, line 1. *While federal law allows averaging of fishing business income, Oregon law does not. Do not include fishing business income on Form FIA-40, line 2.*

To figure elected farm income, first figure your taxable income from farming. Taxable income from farming includes all income, gains, losses, and deductions attributable to any farming business. Gains and losses from the sale or other disposition of property (other than land) must be from property regularly used for a substantial period of time in your farming business. However, it does not include gain from the sale or other disposition of land. You do not have to include all of your taxable income from farming on Form FIA-40, line 2.

Your elected farm income cannot exceed your Oregon taxable income. Also, the portion of your elected farm income treated as a net capital gain cannot exceed the smaller of your total net capital gain or your net capital gain attributable to your farming business. If your elected farm income includes net capital gain, you must allocate an equal portion of the net capital gain to each of the base years.

If, for any base year, you had a capital loss that resulted in a capital loss carryover to the next tax year, do not reduce the elected farm income allocated to that base year by any part of the carryover.

Farming business

A farming business is the trade or business of cultivating land or raising or harvesting any agricultural or horticultural commodity. This includes:

- Operating a nursery or sod farm.
- Raising or harvesting of trees bearing fruits, nuts, or other crops.
- Raising ornamental trees (but not evergreen trees that are more than 6 years old when severed from the roots).
- Raising, shearing, feeding, caring for, training, and managing animals.
- Leasing land to a tenant engaged in a farming business, but **only** if the lease payments are based on a share of the tenant's production (not a fixed amount).
- Wages and other compensation you received as a shareholder in an S corporation engaged in a farming business.

A farming business does not include:

- Contract harvesting of an agricultural or horticultural commodity grown or raised by someone else; or
- Merely buying or reselling plants or animals grown or raised by someone else.

Line instructions

Line 5, 2012 taxable income. If you used FIA to figure your tax for 2014, enter on line 5 the amount from your 2014 FIA-40, line 11. If you used Schedule Z to figure your tax for 2014 on FIA-40, FIA-40N, or FIA-40P, enter on line 5 the amount from your 2014 Schedule Z, Computation for Tax Year 2012. If you used Computation A, use the amount on line 9. If you used Computation B, use the amount on line 6. If you used Computation C, use the amount on line 3.

If you used FIA to figure your tax for 2013 but not 2014, enter on line 5 the amount from your 2013 FIA-40, line 15. If you used Schedule Z to figure your tax for 2013 on FIA-40, FIA-40N, or FIA-40P, enter on line 5 the amount from your 2013 Schedule Z, Computation for Tax Year 2012. If you used Computation A, use the amount on line 9. If you used Computation B, use the amount on line 6. If you used Computation C, use the amount on line 3.

If you used FIA to figure your tax for 2012 but did not for 2013 or 2014, enter on line 5 the amount from your 2012 FIA-40, line 3; FIA-40N, line 8; or FIA-40P, line 6.

If your 2012 taxable income was -0- or less, use the worksheet below to figure the amount to enter on Form FIA-40, line 5.

NOL means *net operating loss* and applies to the year of the actual loss. **NOLD** means *net operating loss deduction* and applies to the year to which the NOL is carried.

2012 Taxable Income Worksheet

- 1. Figure the taxable income from your 2012 tax return without limiting it to -0-. Include any NOLD carryovers or carrybacks if you did not have a NOL in 2012. Do not include any NOLD carryover or carryback from other years if you had a NOL in 2012. Enter the result here 1 _____
- 2. If there is a loss on your 2012 federal Schedule D, line 21, add that loss (as a positive amount) and your 2012 capital loss carry-over to 2013. Subtract from that sum the amount of the loss on your 2012 federal Schedule D, line 16. Enter the result here..... 2 _____
- 3. If you had a NOL for 2012, enter it as a positive amount here. Otherwise, enter the portion (if any) of the NOLD carryovers and carrybacks to 2012 that were not used in 2012 and were carried to tax years after 2012 as a positive amount here 3 _____
- 4. Add lines 1, 2, and 3. Enter the result here, and on Form FIA-40, line 5 4 _____

Line 9, 2013 taxable income. If you used FIA to figure your tax for 2014, enter on line 9 the amount from your 2014 FIA-40, line 15. If you used Schedule Z to figure your tax for 2014 on FIA-40, FIA-40N, or FIA-40P, enter on line 9 the amount from your 2014 Schedule Z, Computation for Tax Year 2013. If you used Computation A, use the amount on line 9. If you used Computation B, use the amount on line 6. If you used Computation C, use the amount on line 3.

If you used FIA to figure your tax for 2013 but not for 2014, enter on line 9 the amount from your 2013 FIA-40, line 3; FIA-40N, line 8; or FIA-40P, line 6.

If your 2013 taxable income was -0- or less, use the worksheet below to figure the amount to enter on Form FIA-40, line 9.

2013 Taxable Income Worksheet

- 5. Figure the taxable income from your 2013 tax return without limiting it to -0-. Include any NOLD carryovers or carrybacks if you did not have a NOL in 2013. Do not include any NOLD carry-over or carryback from other years if you had a NOL in 2013. Enter the result here..... 5 _____
- 6. If there is a loss on your 2013 federal Schedule D, line 21, add

that loss (as a positive amount) and your 2013 capital loss carry-over to 2014. Subtract from that sum the amount of the loss on your 2013 federal Schedule D, line 16. Enter the result here 6 _____

- 7. If you had a NOL for 2013, enter it as a positive amount here. Otherwise, enter the portion (if any) of the NOLD carryovers and carrybacks to 2013 that were not used in 2013 and were carried to tax years after 2013 as a positive amount here 7 _____
- 8. Add lines 5, 6, and 7. Enter the result here and on Form FIA-40, line 9 8 _____

Line 13, 2014 taxable income. If you used FIA to figure your tax for 2014, enter on line 13 the amount from your 2014 FIA-40, line 3; FIA-40N, line 8; or FIA-40P, line 6.

If your 2014 taxable income was -0- or less, use the worksheet below to figure the amount to enter on Form FIA-40, line 13.

2014 Taxable Income Worksheet

- 9. Figure the taxable income from your 2014 tax return without limiting it to -0-. Include any NOLD carryovers or carrybacks if you did not have a NOL in 2014. Do not include any NOLD carry-over or carryback from other years if you had a NOL in 2014. Enter the result here..... 9 _____
- 10. If there is a loss on your 2014 federal Schedule D, line 21, add that loss (as a positive amount) and your 2014 capital loss carryover to tax year 2015. Subtract from that sum the amount of the loss on your 2014 federal Schedule D, line 16. Enter the result here 10 _____
- 11. If you had a NOL for 2014, enter it as a positive amount here. Otherwise, enter the portion (if any) of the NOLD carryovers and carrybacks to 2014 that were not used in 2014 and were carried to tax years after 2014 as a positive amount here 11 _____
- 12. Add lines 9, 10, and 11. Enter the result here and on Form FIA-40, line 13 12 _____

Example 1. Kevin Crooper did not income average for tax year 2012 or 2013 but he did income average for tax year 2014 and he wants to income average for tax year 2015. For tax years 2012, 2013, and 2014 Kevin filed joint returns. His filing status for tax year 2015 is also married filing jointly. For tax year 2012, Kevin's taxable income from Form 40, line 28 is \$1,112. For tax year 2013, Kevin's taxable income from Form 40, line 28 is \$14,250. For tax year 2014, Kevin's taxable income from Form 40, line 28 is \$12,777. For tax year 2015, Kevin's taxable income from Form 40, line 21 is \$27,900 and his elected farm income is \$24,000. For the tax years above, he has no net operating losses, no net operating carryforwards or carrybacks and no capital losses.

For 2014, Kevin had \$12,777 of taxable income and elected to farm income average \$9,000, leaving Oregon taxable income on his 2014 form FIA-40, line 3, of \$3,777. For 2012, Kevin's recomputed taxable income after adding one-third of elected farm income from his 2014 Form FIA-40, line 11 is \$4,112. For 2013, Kevin's recomputed taxable income after adding one-third of his elected farm income from his 2014 Form FIA-40, line 15 is \$17,250. For 2014, Kevin's recomputed tax after removing his elected farm income is \$188 from 2014 Form FIA-40, line 4.

For tax year 2015, Kevin's Oregon taxable income is \$27,900. On line 2 Kevin enters his elected farm income of \$24,000. He subtracts line 2 from line 1 and enters \$3,900 on line 3. This is his remaining Oregon taxable income. He calculates his 2015 Oregon tax using the tax tables under married filing joint status and enters \$198 on line 4.

For 2012, Kevin enters \$4,112 from his 2014 Form FIA-40, line 11, on his 2015 Form FIA-40, line 5. He divides his elected farm income of \$24,000 by 3 and enters \$8,000 on his 2015 Form FIA-40, line 6. He adds lines 5 and 6 and enters \$12,112 on line 7. This is his recomputed 2012 Oregon taxable income. He calculates his 2012 Oregon tax using the 2012 tax tables under married filing joint status and enters \$729 on line 8.

For 2013, Kevin enters \$17,250 from his 2014 Form FIA-40, line 15, on his 2015 Form FIA-40, line 9. He enters \$8,000 from his 2015 Form FIA-40, line 6, on his 2015 Form FIA-40, line 10. He adds lines 9 and 10 and enters \$25,250 on line 11. This is his recomputed 2013 Oregon taxable income. He calculates his 2013 Oregon tax using the 2013 tax tables under married filing joint status and enters \$1,839 on line 12.

For 2014, Kevin enters \$3,777 from his 2014 Form FIA-40, line 3, on his 2015 Form FIA-40, line 13. He enters \$8,000 from his 2015 Form FIA-40, line 6, on his 2015 Form FIA-40, line 14. He adds lines 13 and 14 and enters \$11,777 on line 15. This is his recomputed 2014 Oregon taxable income. He calculates his 2014 Oregon tax using the 2014 tax tables under married filing joint status and enters \$697 on line 16.

On his 2015 Form FIA-40, he adds lines 4, 8, 12, and 16 and enters \$3,463 on line 17. He enters his recomputed 2012 tax of \$208 from 2014 Form FIA-40, line 12, on his 2015 Form FIA-40, line 18. Kevin enters his recomputed 2013 tax of \$1,119 from 2014 Form FIA-40, line 16, on his 2015 Form FIA-40, line 19. He enters his recomputed 2014 tax of \$188

from 2014 Form FIA-40, line 4, on his 2015 Form FIA-40, line 20. He adds lines 18, 19, and 20 and enters \$1,515 on line 21. This is the recomputed tax he paid for the 2012, 2013, and 2014 tax years.

Kevin subtracts the recomputed tax of \$1,515 on line 21 from the recomputed tax of \$3,463 on line 17 and enters the result of \$1,948 on line 22. He figures his tax on \$27,900 using the tax tables and enters \$2,054 on line 23. Because the FIA tax is less than the tax tables, he will enter \$1,948 on line 24. This is Kevin's 2015 tax liability from farm income averaging. He enters this figure on Form 40, line 22, and checks box 22a.

Example 2. John Farmington did not use farm income averaging for 2012, 2013, or 2014. For tax year 2015, John has elected farm income on Form FIA-40, line 2 of \$18,000. His Oregon taxable income shown on his 2012 Form 40, line 28, is \$6,150.

John had a net operating loss (NOL) for tax year 2013 of \$22,950, which he elected to carryback five years. Of the \$22,950 loss, \$9,000 was carried back to tax year 2012. To complete line 1 of the 2012 worksheet, John combines the \$9,000 net operating loss deduction (NOLD) with his 2012 Oregon taxable income of \$6,150 from Form 40, line 28. The result, a negative \$2,850, is entered on the 2012 worksheet, line 1.

When John filed his 2012 tax return, he had a \$3,000 net capital loss deduction on federal Schedule D, line 21, a \$7,000 loss on federal Schedule D, line 16, and a \$4,000 capital loss carryover to 2013. However, when John carried back the 2013 NOL to 2012, he refigured his 2012 capital loss carryover to tax year 2013 as \$7,000. To calculate line 2 of the 2012 worksheet, John adds the \$3,000 from federal Schedule D, line 21, and the \$7,000 carryover. He subtracts from the result the \$7,000 loss on his federal Schedule D, line 16, and enters \$3,000 on the 2012 worksheet, line 2.

John had \$6,150 of Oregon taxable income in 2012 that reduced the 2013 NOL carryback. The \$3,000 net capital loss deduction also reduced the amount of the 2013 NOL carryback. Since these two figures together total \$9,150, there is no NOLD left to carry over to tax year 2014. Therefore, John enters -0- on line 3. John adds line 1, a negative \$2,850, line 2, a positive \$3,000, and line 3. He enters the result, a positive \$150, on line 4 of the worksheet and on 2015 Form FIA-40, line 5. This figure represents John's recomputed Oregon taxable income for tax year 2012.

For tax year 2013, John's taxable income from Form 40, line 28 is negative \$30,250, which he enters on the 2013 worksheet, line 5.

John had a \$3,000 net capital loss deduction on Schedule D, line 21 and a \$7,000 loss on Schedule D, line 16, the carryover from 2012 to 2013. John adds the \$3,000 from Schedule D, line 21, and the \$7,000 carryover. He subtracts from the result the \$7,000 loss on Schedule D, line 16, and enters \$3,000 on line 6 of the worksheet. John enters \$22,950 on line 7 of the worksheet, his 2013 NOL.

John adds lines 5, 6, and 7 ($< \$30,250 > + \$3,000 + \$22,950$) and enters the result, negative \$4,300, on line 8 of the work-

sheet and on 2015 Form FIA-40, line 9. This figure represents John's recomputed Oregon taxable income for tax year 2013.

For tax year 2014, John's taxable income from Form 40, line 28 is negative \$1,750. This amount includes an NOLD of \$2,300 which was the portion of the 2013 NOL that was remaining to be carried forward from tax year 2012. John does not have a NOL for tax year 2014. John enters negative \$1,750 on the 2014 worksheet, line 9.

John had a \$3,000 net capital loss deduction on Schedule D, line 21, a \$7,000 loss on Schedule D, line 16, and a \$5,000 capital loss carryover to 2014 (his 2013 capital loss carryover to 2014 was \$5,000, not \$4,000, because his federal taxable income before exemptions was a negative \$1,000). John adds the \$3,000 from Schedule D, line 21, and the \$5,000 carryover. He reduces the result by the \$7,000 loss on his Schedule D, line 16, and enters \$1,000 on the 2014 worksheet, line 10.

John enters -0- on line 11 of the worksheet because he does not have an NOL for 2014 and did not have any remaining NOLD to carryforward. John's \$2,300 NOLD for 2014 was reduced to -0- because it did not exceed his federal AGI as

modified for the capital loss deduction, the net operating loss, and the standard or recomputed itemized deductions. John adds lines 9, 10, and 11 ($< \$1,750 > + \$1,000 + \$0$), and enters the result, negative \$750, on line 12 of the worksheet and on 2015 Form FIA-40, line 13. This figure represents John's recomputed Oregon taxable income for tax year 2014.

Have questions? Need help?

General tax information www.oregon.gov/dor
Salem 503-378-4988
Toll-free from an Oregon prefix..... 1-800-356-4222

Asistencia en español:

En Salem o fuera de Oregon 503-378-4988
Gratis de prefijo de Oregon..... 1-800-356-4222

TTY (hearing or speech impaired; machine only):

Salem area or outside Oregon 503-945-8617
Toll-free from an Oregon prefix..... 1-800-886-7204

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