

2025

OREGON

Publication OR-17

Individual Income Tax Guide

Important updates

This publication supplements the Oregon income tax instruction booklet and the Internal Revenue Service (IRS) Tax Guide: Publication 17, *Your Federal Income Tax (For Individuals)*.

This is a guide, not a complete statement of Oregon laws and rules. Law or rules may have changed after printing. Refer to the Oregon Revised Statutes (ORS) and Oregon Administrative Rules (OAR), available at www.oregon.gov/dor.

Forms and publications

For tax forms and publications go to www.oregon.gov/dor/forms or write:

Forms
Oregon Department of Revenue
PO Box 14999
Salem OR 97309-0990

Do you have questions or need help?

www.oregon.gov/dor
503-378-4988 or 800-356-4222
questions.dor@dor.oregon.gov

Contact us for ADA accommodations or assistance in other languages.

Tax professionals

Questions. If you're a tax professional, you can email us for assistance. **Research your question.** We can assist you with Oregon income tax law and policy questions, but we can't provide or discuss specific taxpayer information, prepare returns, or make calculations for you. You can include .txt files in your email, but we are unable to open any other type of attachment.

In the email, include your question with your name, business name, and phone (with area code). We'll get back to you within three business days.

- Personal and partnership income tax: prac.revenue@dor.oregon.gov.
- Pass-through entity elective tax: businessalternative.incometax@dor.oregon.gov.
- Corporate income or excise tax: corp.help.dor@dor.oregon.gov.
- Corporate minimum tax: corp.help.dor@dor.oregon.gov.
- Corporate nexus and voluntary disclosure: nexus.help.dor@dor.oregon.gov.
- Corporate activity tax: cattax.questions@dor.oregon.gov.
- Payroll and business tax: payroll.help.dor@dor.oregon.gov.
- Fiduciary/estate/inheritance tax: estate.help.dor@dor.oregon.gov.
- Transit self-employment taxes: tse.help.dor@dor.oregon.gov.
- Agricultural overtime: ag.overtime@dor.oregon.gov.

Revenews. To receive emailed information from us, subscribe to Revenews using the link on our *Tax professionals* webpage.

Contents

Federal tax law	7	Federal Schedule E and F income.....	48
New information.....	7	Federally excluded income.....	48
Important reminders.....	7	Gain, loss, and distributions	48
General information	9	Global intangible low-taxed income (GILTI)	48
Do I have to file an Oregon income tax return?	9	Hydroelectric dam workers.....	49
Electronic filing for Oregon	10	Individual Retirement Account (IRA) distributions ...	49
2-D barcode filing for Oregon.....	11	Interest and dividend income.....	49
Why Oregon needs a federal return	11	Interstate transportation wages (Amtrak Act).....	49
Record-keeping requirements.....	11	Like-kind exchange or involuntary conversion	51
Filing an Oregon return	13	Market-based sourcing	52
Residency	13	Retirement income.....	52
Extensions of time to file	15	Social Security and Railroad Retirement	
Which form do I file?.....	15	Board benefits	52
Filing status.....	16	State and local income tax refunds	53
Registered domestic partners (RDPs)	19	Unemployment insurance (UI) benefits and other	
Individual Taxpayer Identification Number.....	19	taxable income.....	53
Military personnel filing information.....	20	Wages, salaries, and other pay for work.....	53
Oregon tax	25	Waterway workers	53
Personal income tax rates	25	Adjustments	54
Qualified business income reduced tax rate	26	Alimony paid.....	54
Farm liquidation long-term capital gain tax rate	28	Certain business expenses of reservists,	
Farm income averaging.....	29	performing artists, and fee-basis	
Pass-through entity elective tax.....	29	government officials.....	54
CPAR tax	30	Educator expenses	55
Interest on certain installment sales	30	Health savings account (HSA) deduction	55
ABLE account or Oregon higher education savings		IRA or self-employed SEP and SIMPLE	
plan account tax recapture	30	contributions.....	55
Other individual taxes	31	Moving expenses	56
Payments and refunds	32	Penalty on early withdrawal of savings	56
Payment options.....	32	Self-employed health insurance	56
Refunds.....	32	Self-employment tax	57
Direct deposit of refund.....	33	Student loan interest	57
Application of refund	33	Other adjustments on federal Form 1040,	
Refund processing	34	Schedule 1, lines 23 and 25	57
Injured spouse refund claims	35	Additions	58
Oregon statute of limitations on refunds	35	ABLE account subtraction nonqualified	
Amended returns	36	withdrawal.....	58
How do I amend my Oregon return?	36	Accumulation distribution from certain	
Interest and penalties	38	domestic trusts	58
Interest	38	Capital loss carryover difference.....	58
Penalties.....	39	Claim of right income repayments.....	58
Audits and appeals	41	Depletion in excess of property basis	59
What to do if your return is audited.....	41	Disposition of inherited Oregon farmland	
Appeals.....	42	or forestland.....	59
Failure to file an Oregon income		Disqualified charitable donations.....	60
tax return	45	Federal business income deduction.....	60
Filing a return after tax is assessed.....	45	Federal election on interest and dividends	
Income	47	of a minor child	60
What income is taxable to Oregon?.....	47	Federal estate tax.....	60
Air carrier employees.....	47	Federal income tax refunds.....	60
Alimony received.....	47	Federal subsidies for employer prescription	
Business income or loss.....	48	drug plans.....	62
		First-time home buyer savings account	
		nonqualified withdrawal.....	62
		Gambling losses claimed as an itemized deduction ...	62
		Income taxes paid to another state by a	
		pass-through entity	63
		Individual development account (IDA).....	63
		Interest and dividends on government bonds	
		of other states.....	63

Lump-sum distribution from a qualified retirement plan.....	64
Nonresident capital losses and loss carryovers.....	64
Oregon higher education savings plan subtraction nonqualified withdrawal.....	65
Oregon Production Investment Fund contributions.....	65
Passive foreign investment company income.....	65
PTE-E tax deducted on entity-level federal return.....	65
Refund of Oregon-only itemized deductions from a prior year.....	65
Research and development for semiconductor companies.....	66
University Venture Development Fund contributions.....	66
Unused business credits.....	66
WFHDC medical expenses.....	66
Subtractions.....	67
American Indian.....	67
AmeriCorps educational award.....	68
Artist's charitable contribution.....	68
Capital Construction Fund (CCF) contributions.....	68
Casualty loss from state-declared emergency.....	69
Construction worker and logger commuting expenses.....	69
Domestic international sales corporation (DISC) dividend payments.....	70
Federal deduction for overtime wages.....	70
Federal deduction for passenger vehicle interest paid.....	70
Federal deduction for tip income.....	70
Federal gain previously taxed by Oregon.....	70
Federal income tax liability.....	71
Federal tax worksheet.....	71
Federal mortgage interest credit.....	73
Federal pension income.....	73
Federal tax credits.....	74
Film production labor rebate.....	75
First-time home buyer savings account (FTHBSA) contributions and earnings.....	75
Foreign income tax.....	76
IDA contributions.....	76
Income on a composite return.....	77
Interest and dividends on U.S. bonds and notes.....	77
Legislative Assembly expenses.....	78
Manufactured dwelling park capital gain exclusion.....	78
Manufactured dwelling park closure payments.....	78
Marijuana business expenses.....	78
Oregon income tax refund.....	79
Oregon Investment Advantage.....	79
Oregon Lottery winnings.....	80
Previously taxed employee retirement plan contributions.....	80
Previously taxed IRA conversions.....	81
Psilocybin business expenses.....	81
PTE-E tax refund included on entity-level federal return.....	82
Public Safety Memorial Fund award.....	82
Railroad Retirement Board benefits.....	82
Scholarship awards used for housing expenses.....	82
Social Security benefits.....	83
Special Oregon medical.....	83
State and local government bond interest.....	85
Taxable benefits for former RDPs.....	86

U.S. government interest in IRA or Keogh distributions.....	86
Wildfire civil action legal fees.....	87
Wildfire civil action settlement or judgment.....	87
Other items.....	88
Net operating losses (NOLs).....	88
Depreciation difference for Oregon.....	90
Federal depreciation disconnect.....	90
Partnership and S corporation modifications for Oregon.....	91
CPAR adjustments.....	91
Basis of business assets transferred into Oregon.....	91
Gain or loss on sale of depreciable property with different basis for Oregon.....	92
Gain on the sale of an Oregon residence.....	92
Fiduciary adjustment from Oregon estates and trusts.....	92
Passive activity losses (PALs).....	93
Suspended losses.....	94
Oregon percentage.....	94
Deductions and modifications.....	94
Oregon surplus.....	96
Oregon deferral of reinvested capital gain.....	96
Federal law disconnect.....	96
Credits.....	97
Types of credits.....	97
Standard credits.....	98
Exemption credit.....	98
Income taxes paid to another state on mutually-taxed income.....	100
Exception for Oregon resident partners and S corporation shareholders.....	104
Oregon Cultural Trust contributions.....	104
Oregon Veterans' Home physicians.....	105
Political contributions.....	105
Reservation enterprise zone.....	106
Retirement income.....	106
Rural emergency medical service providers.....	107
Rural health practitioners.....	108
Taxes imposed by other jurisdiction on mutually-taxed gain from sale of residence.....	108
Carryforward credits.....	110
Agriculture workforce housing.....	110
Bovine manure production/collection carryforward.....	111
Business energy carryforward.....	112
Child Care Fund contributions carryforward.....	112
College Opportunity Grant Fund contributions (auction) carryforward.....	112
Crop donation.....	112
Employer scholarship.....	113
Energy conservation project carryforward.....	113
Fish screening devices.....	113
Forest conservation.....	114
Lender's credit: affordable housing.....	114
Lender's credit: energy conservation carryforward.....	114
Long-term enterprise zone facilities.....	114
Oregon IDA Initiative Fund donation.....	115
Oregon Low-Income Community Jobs Initiative/New Markets.....	115

Oregon Production Investment Fund		Oregon higher education savings plan account	
contributions (auction)	115	contributions.....	121
Publicly supported housing sale	116	Oregon Kids Credit.....	122
Renewable energy resource equipment		Pass-through entity elective taxes paid	122
manufacturing facility carryforward	116	Research and development for semiconductor	
Research and development for semiconductor		companies—refundable.....	122
companies—nonrefundable.....	116	Working family household and dependent care	
Residential energy carryforward	117	(WFHDC)	123
Rural technology workforce development		Interest on underpayment of	
carryforward.....	117	 estimated tax.....	124
Short line railroad rehabilitation.....	117	Do I owe underpayment interest?	124
Transportation projects		Figure your required annual payment.....	124
carryforward.....	118	Exceptions to paying interest on an	
University Venture Development Fund		underpayment of estimated tax.....	124
contributions.....	118	Estimated tax.....	125
Refundable credits	119	Should I pay estimated tax?.....	125
ABLE account contributions.....	119	Exceptions	125
Agricultural employer overtime		Special situations	125
tax credit (AEOTC)	119	Appendix.....	126
Claim of right income repayment	120	Contents.....	126
Earned income credit (EIC)	120		
Manufactured dwelling park closure.....	120		
Oregon EIC for ITIN filers.....	121		

Federal tax law

No extension to pay. Oregon doesn't allow an extension of time to pay your tax, even if the IRS is allowing an extension. Your 2025 Oregon tax is due **April 15, 2026**.

Federal law connection. Oregon has a rolling tie to changes made to the definition of federal taxable income, with the exceptions noted below. For all other purposes, Oregon is tied to federal income tax laws as amended and in effect on **December 31, 2023**.

Oregon exceptions to federal tax law:

- Internal Revenue Code (IRC) Section 139A tax exemption for federal subsidies for employer prescription drug plans. If you have this type of business income, you'll have an addition on your Oregon return.
- IRC Section 529 tax exemption for earnings on 529 savings plan funds used for K-12 tuition. Embark (formerly Oregon College Savings Plan) and MFS 529 Savings Plans may be used for higher education expenses only.
- IRC Section 199A deduction for noncorporate qualified business income (QBI). Oregon is disconnected from the QBI. This deduction doesn't flow through to the Oregon personal income tax return, so there is no addition to report; however, the deduction must be added back on fiduciary returns.
- IRC Section 151 deduction for personal exemptions. This includes the deduction for taxpayers who are age 65 or older at the end of the year.

References to federal return forms. In this publication, references to the federal return or to Form 1040 also include a reference to Forms 1040-SR, 1040-NR, and 1040-X, unless otherwise indicated.

New information

New federal deductions. You may be able to claim the same deductions for tip income, overtime wages, and passenger vehicle loan interest that you're claiming on your federal return. Certain limitations apply for nonresidents. See **"Other items."**

New section on Schedule OR-ASC-NP. "Modifications not multiplied by Oregon percentage" is a new category of modifications for nonresidents who are claiming a federal deduction for tip income or overtime wages. The new section is also used by nonresidents who are claiming the deduction for charitable art object donations.

Paid Leave Oregon benefits. Based on IRS guidance regarding paid family and medical leave programs, the subtraction for certain Paid Leave Oregon benefits is no longer available.

First-time home buyer savings account (FTHBSA) subtraction. As of January 1, 2025, FTHBSAs can be opened to save for a designated beneficiary. Account holders must also complete Form OR-HOME when opening a new FTHBSA. For subtraction limits and eligibility requirements, see 2025 Form OR-HOME Instructions.

Federal tax liability subtraction. The federal tax subtraction limit is \$8,500 (\$4,250 if married filing separately) for 2025. It may be limited further based on your adjusted gross income (AGI). See **"Federal income tax liability"** in **"Subtractions."**

Important reminders

Revenue Online. Revenue Online provides convenient, secure access to tools for managing your Oregon tax account. With Revenue Online, you can:

- Check the status of this year's refund.
- View and print most letters from us.
- Make or schedule payments.
- Securely communicate with us.
- Check balances and view your tax account history.
- Submit your requests (such as penalty waivers or appeals) or information we've requested from you.
- View your Form 1099-G, if applicable.

Tax professionals with third party access have additional benefits, such as viewing clients' accounts.

For more information and instructions on setting up your personal Revenue Online account, go to www.oregon.gov/dor and click on *Revenue Online*.

Direct File Oregon. Oregon has a free, interview-based software that many full-year residents can use to file an original or amended return. Direct File guides you through the return, handling the math and providing assistance with common deductions and credits. See **"Electronic filing for Oregon"** for more information.

Form 1099-G is no longer being mailed. We will send you an informational postcard about Form 1099-G if you received an Oregon income tax refund in 2025 **and** you claimed itemized deductions on your 2024 federal return. The postcard will tell you how to get your Form 1099-G through Revenue Online. The form will be available by January 31. If you don't have internet access, contact us by phone for assistance.

Data security breaches. Tax professionals suffering a data security breach associated with tax return preparation must report the breach to us promptly. See our *Tax professionals* webpage for details.

Military pay. Oregon doesn't tax your military pay if you aren't an Oregon resident. For more information about residency and the Oregon military pay subtractions, see **"Military personnel filing information."**

Federal centralized partnership audit regime (CPAR). Oregon recognizes CPAR, the federal regime for auditing partnerships. See “Oregon tax” and “Audits and appeals.”

Special Oregon medical subtraction. You or your spouse must be age 66 or older at the end of the tax year to qualify for the subtraction. See “Special Oregon medical subtraction.”

Fiduciary returns. This publication includes information for Oregon fiduciary return filers, where the treatment of an item may differ from the treatment on personal income tax returns. Also, see the instructions for Form OR-41, *Oregon Fiduciary Income Tax Return*.

Market-based sourcing. Nonresident taxpayers must apportion their business income from sales of services and intangible property according to market-based sourcing principles rather than cost of performance. See ORS 314.665, ORS 314.666, and OAR 150-314-0435.

Payment options. We accept tax payments by check, money order, debit card, and credit card. See “Payments and refunds.”

Direct deposit. Instead of receiving your refund check in the mail, you may have your refund deposited directly into your account that accepts electronic deposits. See “Direct deposit of refund” in “Payments and refunds.” You can also have your refund deposited directly into an Oregon higher education savings plan account. You may choose up to four accounts. See our full-year and part-year/nonresident booklets for more information.

Minimum refund. Under Oregon law, the minimum refund that can be issued is \$1.

Minor child’s return and signature. If your child must file a tax return, you may sign the child’s name as their legal agent. Sign the child’s name and then write

“By (your signature), parent (or legal guardian) for minor child.”

Deceased person’s return. A final return for a person who died during the calendar year must be filed if a return would normally be required. If a return must be filed, check the “Deceased” box after the person’s name on the return.

If you filed a final return with a refund and are unable to cash the refund check, you will need to return the check to us along with Form OR-243, *Claim to Refund Due a Deceased Person*. Go to our website to download the form or contact us to order it.

If you are a court appointed personal representative or have filed a small estate affidavit and you need more information about trusts or estates, contact our Estate Unit at estate.help.dor@dor.oregon.gov.

AGI limit for additional exemption credits. The additional exemption credits for a taxpayer or spouse with a severe disability and for a child with a qualifying disability aren’t available for taxpayers whose AGI is more than \$100,000, regardless of filing status. For more information, see “Exemption credit” in “Standard credits.”

Registered domestic partners (RDPs). For Oregon tax purposes, RDPs are treated the same as married couples. References to “spouse” within this publication include RDPs.

Nonresident disaster relief workers. You don’t need to file a return if you worked in Oregon solely to provide relief during a declared disaster or emergency. See “General information” for more details.

Mailing address. Always include your current mailing address when filing a return so that we can reach you if needed. If you’re filing a return for a previous tax year, don’t use the address that you had during that tax year unless it is still your current mailing address.

General information

Do I have to file an Oregon income tax return?

Use the following charts and examples to determine whether you are required to file an Oregon personal income tax return. See the explanations in this publication if you are unsure about:

- Residency status—see “Residency.”
- Filing status—see “Filing status.”
- Taxable income—see “What income is taxable to Oregon?”
- Deductions—see “Deductions and modifications.”

You must file a return to claim a refund if you had Oregon income tax withheld, even if you aren’t otherwise required to file a return.

Note: You don’t have to file an Oregon return if you are an out-of-state employee or the operator of an out-of-state business and you were in Oregon solely for purposes of performing disaster or emergency-related work (ORS 401.690).

Full-year residents

You need to file if you are required to file a federal return **or** if your gross income is more than the amount shown for your filing status in Table 1.

Note: The amounts in Table 1 apply to gross income from all taxable sources.

Table 1. Filing thresholds for full-year residents

Your filing status is:	Number of boxes checked below line 17 of Form OR-40:	And your gross income is more than:
Dependent	Any	See “Dependents”
Single	0	\$7,935
	1	\$9,135
	2	\$10,335
Married filing jointly	0	\$15,865
	1	\$16,865
	2	\$17,865
	3	\$18,865
	4	\$19,865

Married filing separately	0	\$7,935
	1	\$8,935
	2	\$9,935
Head of household	0	\$9,950
	1	\$11,150
	2	\$12,350
Qualifying surviving spouse	0	\$11,060
	1	\$12,060
	2	\$13,060

In addition, file a return if:

- You’re required to file a federal return.
- You had \$1 or more of Oregon income tax withheld from your wages.

Dependents. If you can be claimed as a dependent on another person’s return, you must file your own return if you’re required to file a federal return **or** if your income is more than the lesser of:

- The basic federal standard deduction for a dependent, or
- The Oregon standard deduction for a single filer.

You can use this worksheet, which has the federal amounts, to help you figure out if you need to file your own return.

- Enter gross income from all taxable sources. 1. \$ _____
- Earned income \$ _____ plus \$450. Enter total. 2. \$ _____
- Set federal amount. 3. \$ 1,350
- Enter the larger of line 2 or 3. 4. \$ _____
- Enter the Oregon standard deduction for your filing status:
 - Basic standard deduction: \$2,835 (single) or \$5,670 (joint)
 - If age 65 or older, add \$1,200 (single) or \$1,000 (joint, per spouse).
 - If blind, add \$1,200 (single) or \$1,000 (joint, per spouse).
 5. \$ _____
- Enter the smaller of line 4 or 5. 6. \$ _____

If line 1 is more than line 6, you must file an Oregon return. If line 6 is more than line 1, you aren’t required to file an Oregon return.

Example 1: Emily is single, age 20, and a full-time college student. Her parents claim her as a dependent.

Emily has earned income of \$800 from her job. She also has \$29 of interest income from her savings account. Emily isn't required to file a federal return.

- | | |
|--|--------------------|
| 1. Enter gross income from all taxable sources. | 1. \$ <u>829</u> |
| 2. Earned income \$800 plus \$450. Enter total. | 2. \$ <u>1,250</u> |
| 3. Set federal amount. | 3. \$ <u>1,350</u> |
| 4. Enter the larger of line 2 or 3. | 4. \$ <u>1,350</u> |
| 5. Oregon basic standard deduction for single filer. | 5. \$ <u>2,835</u> |
| 6. Enter the smaller of line 4 or 5. | 6. \$ <u>1,350</u> |

Because line 6 (\$1,350) is more than line 1 (\$829), Emily isn't required to file an Oregon return.

Note: If Emily had any Oregon income tax withheld from her income, she must file an Oregon return to claim a refund.

Example 2: Norman, age 77, and Marion, age 63, are married and live with Norman's son. Norman has no income and can be claimed as a dependent on his son's return. Marion earned \$8,000 from a part-time job. She used her earnings to provide more than half of her own support, so she can't be claimed as her son-in-law's dependent. Norman and Marion don't have a federal filing requirement.

- | | |
|--|--------------------|
| 1. Enter gross income from all taxable sources. | 1. \$ <u>8,000</u> |
| 2. Earned income \$8,000 plus \$450. Enter total. | 2. \$ <u>8,450</u> |
| 3. Set federal amount. | 3. \$ <u>1,350</u> |
| 4. Enter the larger of line 2 or 3. | 4. \$ <u>8,450</u> |
| 5. Oregon standard deduction for joint filers, one spouse age 65 or older. | 5. \$ <u>6,670</u> |
| 6. Enter the smaller of line 4 or 5. | 6. \$ <u>6,670</u> |

Because line 1 (\$8,000) is more than line 6 (\$6,670), Norman and Marion are required to file an Oregon return.

Part-year residents and nonresidents

You need to file an Oregon return if your gross income is more than the amount shown for your filing status in Table 2.

Note: The amounts in Table 2 apply to gross income from Oregon taxable sources while a nonresident and gross income from all taxable sources while an Oregon resident.

Table 2. Filing thresholds for part-year residents and nonresidents

Your filing status is:	And your Oregon gross income is more than:
Dependent	\$1,350*
Single	\$2,835
Married filing jointly	\$5,670
Married filing separately	
If spouse claims standard deduction	\$2,835
If spouse itemizes deductions	0
Head of household	\$4,560
Qualifying surviving spouse	\$5,670
* The larger of \$1,350 or your earned income plus \$450, up to your standard deduction amount, not including any additional amount if you're age 65 or older or blind.	

If your Oregon income is less than the amount in Table 2, you aren't required to file a return unless you had \$1 or more of Oregon tax withheld from your wages.

Nonresidents with rental property in Oregon

You don't have to file an Oregon return if:

- Your only Oregon-source income is from rental property, **and**
- You have a loss from the rental activity for the year. However, you must file Oregon returns for all applicable loss years if:
 - You later sell the rental property in a fully-taxable transaction;
 - The sale results in gain that would otherwise be taxed by Oregon;
 - You have suspended passive activity losses from the rental activity; and
 - You are deducting your suspended losses from that gain on your federal return.

Electronic filing for Oregon

Electronic filing is a fast, efficient, and accurate way to file an Oregon income tax return. Returns filed electronically require fewer manual steps to process compared to paper returns.

Direct File Oregon. Use Direct File to file your return for free. Direct File is an interview-based software that many full-year residents may use to file an original or amended return through Revenue Online. You can use Direct File without a Revenue Online account; however, some features may be limited.

Your federal return must be filed separately with the IRS, and you will need to have the information from

your federal return and schedules available when you use Direct File.

At this time, Direct File can't be used to file a nonresident or part-year resident return.

E-file. Practitioners are automatically approved for Oregon e-filing after the IRS accepts your online application to become an authorized e-file provider. There is no separate registration required for Oregon.

Paid preparers who meet the requirements of the federal e-file mandate must also e-file Oregon personal income tax returns. For information on waivers of this requirement, see the information for tax professionals on our website.

The copy of a tax return provided to a client must be an exact copy of the tax return submitted to us.

When filing electronically, **don't** send us a paper copy of your tax return.

2-D barcode filing for Oregon

2-D barcode filing is an alternative way to file a paper Oregon return. Oregon-approved tax software packages are required to print a 2-D barcode on Forms OR-40, OR-40-N, and OR-40-P. The 2-D barcode on the tax return is a "picture" of the information on the return, which is printed on the top right-hand corner of the return's front page. A machine reads the barcode information so it doesn't have to be entered manually into our computer system.

If changes are made to the return after it has been printed, the entire return **must** be re-printed so that the barcode will reflect the correct information.

The copy of a 2-D barcode return provided to a taxpayer must be an exact copy of the tax return you submit to us.

Why Oregon needs a federal return

Most information to support the amounts on your Oregon return comes from your federal return. Even when Oregon law differs from federal law (such as additions, subtractions, and credits), we still need information from your federal return (ORS 314.380).

If you file an electronic return, we will receive your federal return with your Oregon return. If you are filing a paper return, you must include a copy of the front and back of your federal return with Schedules 1 through 3 (if applicable). Also include any "as if" federal returns. If you're not required to file a federal return, prepare a federal return as if you were actually filing it and include it with your Oregon return. **Don't include** extension requests or federal schedules other

than those listed above, but keep a copy of those with your tax records. We may ask for copies later.

Record-keeping requirements

Why is record-keeping important?

- Keeping records of your income and deductions will help you prepare an accurate tax return and pay the correct tax.
- You must be able to prove all items on your return with adequate records and sufficient evidence. Keep records that verify the income, deductions, credits, and other items reported on your tax return. Estimates or approximations don't qualify as proof.
- Accurate records will help you if we select your tax return for audit. Usually, an audit will occur one to three years after a return is filed (or later if you have had a federal audit). If you've kept good records, you can clear up any questionable items and easily arrive at the correct tax. If you haven't, you may have to spend time getting statements and receipts from various sources. You may also have to pay more tax if you can't prove the figures you used.

How should I keep my records?

You must keep accurate records, but no particular system is required for keeping them. Your records should contain all the information you used to figure your income, deductions, credits, and other items shown on your income tax return.

What records should I keep?

If you report an item on your tax return, you must have adequate records to verify it. Here's a partial list of records you should keep:

- Receipts and sales documents for deductible business expenses, self-employment, farm, rentals, sale of assets, etc.
- Dated and signed receipts for any cash payments that might be deductible.
- Income statements, including Form W-2 for your wages and Form 1099 for interest, dividends, rents, and nonemployee compensation.
- All payroll records, including copies of W-2 and 1099 forms you've issued.
- Pay statements if you have deductible expenses withheld from your paycheck.
- Receipts and certificates to verify Oregon tax credits claimed.
- Copies of your tax returns, including complete federal returns with all required schedules, or an "as if" return if you don't have a federal filing requirement.
- Copies of your "as if" returns if you were required to prepare them to claim a special filing status.
- Worksheets, summary statements, calendars, log books, journals, etc.

- Canceled checks, substitute checks or carbon copies of checks, bank deposit slips, and receipts.
- Checking and savings account statements for both personal and business accounts.
- If you deduct alimony payments, keep copies of canceled checks and the divorce, separate maintenance, or support decree or a written separation agreement.
- For property you own, keep proof of the purchase price, any purchase expenses, the cost of any improvements, and any other basis adjustments, such as depreciation and deductible casualty losses. If you received property as a gift, you must have records that show the donor's adjusted basis just before the property was given to you, its fair market value on the date of the gift, and any gift tax paid on it.
- The sale of a capital asset (and certain other assets). This type of sale is reported as a capital gain or loss. Your records must show when and how the asset was acquired, how it was used, and when and how you disposed of it. Records must also show your cost or other basis, the gross selling price, and the expenses of the sale.
- Year-end statements showing total interest paid on loans, mortgages, or notes.
- Statements and canceled checks, mortgage statements, and other documents for your real estate and personal property taxes paid.
- Proof of payment to your care provider if you are claiming the Oregon WFHDC credit.

How do I document deductible expenses?

A receipt is the best evidence to prove the amount of an expense. A canceled check, together with a bill or invoice from the payee, ordinarily establishes the cost. A canceled check might not prove a business expense without other evidence to show that it was for a business purpose. All records should show:

- The date,
- The amount, and
- The purpose of the expense.

To be deductible, a business expense must be both ordinary and necessary.

How do I document car or truck expenses?

You must have written records to verify your vehicle expenses. To deduct car or truck expenses, you must be able to prove:

- The amount of each separate expense for a vehicle, such as the cost of purchase, capital improvements, lease payments, maintenance, and repairs.

- The mileage for each business or investment use of the vehicle and the total miles for the tax year.
- The date of the expense or use. Keep a trip log at the time of use, showing the date and mileage for each business use, including odometer readings.
- The business or investment reason for the expense or use of the vehicle.

Keep the proof you need for these items in an account book, diary, log, statement of expense, trip sheet, etc. Include all documents needed to verify the item.

How long should I save my records?

Keep records that support an item of income or a deduction on your return at least until the statute of limitations expires for that return. A statute of limitations is the period of time after which no legal action can be brought. Usually this is three years from the date the return was filed, or two years from the date the tax was paid, whichever is later. Returns filed before the due date are treated as if they were filed on the due date.

Exceptions: There are times you should keep records longer, including the following:

- Keep records that support your basis in property for at least four years after you sell or dispose of the property (including all capital improvements).
- If you're depreciating property, keep records related to each item's depreciation expenses for its entire recovery period plus three years.
- If your return was audited by the federal government, Oregon has two years from the date we receive the federal audit report to review your Oregon return for adjustments.
- If you have employees, we recommend you keep all of your employment tax records for at least five years after the date the tax becomes due or is paid, whichever is later. This includes copies of Form W-2 for each employee, and all payroll records.
- If you didn't report some income and it's more than 25 percent of the income shown on your return, the return may be audited within five years after it was filed. If a return is false or fraudulent or if no return is filed, there is no time limit.

What if I don't have all of my records?

If records have been destroyed and your return is selected for audit, the auditor will advise you about reconstructing your records.

Filing an Oregon return

In order to correctly file an Oregon personal income tax return, you must know:

- Your residency status.
- Which form to file.
- Your filing status.

Residency (ORS 316.027)

General rule. Oregon taxes residents on all sources of income. Oregon taxes nonresidents on income from Oregon sources.

Residents

An Oregon resident is someone who is domiciled in this state.

Domicile. Domicile is a tax-law concept. It's the place you consider to be your home and where you plan to return after an absence. Domicile isn't the same as home, abode, or residence. Intent is the deciding factor when you determine your domicile. The law assumes you have a domicile somewhere. It also assumes you have only one domicile.

Home. If you have one home, your domicile is generally where that home is located. If you have two homes, your domicile follows your center of activity.

To determine your center of activity and your domicile, consider:

- Physical characteristics of the place.
- Time you spend there.
- Things you do there.
- People and property there.
- Your attitude toward the place.
- Your intent to return to the place when you are away.

Family relations. Generally, spouses living together have the same domicile. The domicile of minor children is determined by the domicile of the person who has legal custody of them.

When living apart, spouses each may establish their own domicile if they meet the requirements for a change of domicile.

Change of domicile. Intent is the most important factor in determining a change of domicile. If intent relies on uncertain events, you haven't changed your domicile. Once domicile is established, it's never lost until **all** of the following happen:

- You intend to abandon the old domicile, and
- You intend to acquire a specific new domicile, and
- You are physically present in the new domicile.

The important points are physical presence at a new dwelling and the intent to make the new dwelling a home.

Non-domiciled residents. An Oregon resident may also be someone who isn't domiciled in Oregon, but:

- Maintains a residence in Oregon, and
- Spends a total of more than 200 days in Oregon during the taxable year.

A fraction of a day is considered to be a whole day when figuring the 200 days. We won't consider you to be a resident if you are in Oregon for a temporary purpose. The burden of proof is on you to show your stay here is only temporary.

Consider both your domicile and the place where you live to determine how you are taxed.

Special-case Oregon residents (Oregon residents living in another US state). Even if you are domiciled in Oregon, you will be taxed as a nonresident if you meet **all** of the following requirements:

- You don't maintain a permanent residence in Oregon for yourself or your family during any part of the year, and
- You maintain a permanent residence outside Oregon during the entire year, and
- You spend less than 31 days of the year in Oregon.

Oregon residents living in a foreign country. Certain Oregon residents living in a foreign country may be taxed as foreign nonresidents.

In general, you're considered to be a foreign nonresident if you meet the residency requirements for foreign earned income or housing exclusion under federal law. To qualify as a foreign nonresident, you must meet one of these two federal tests:

- The "physical presence" test; or
- The "bona fide residence" test.

Note: You may be treated as an Oregon nonresident for tax purposes if you are in the civil service or military serving in a foreign country, even if you can't claim the federal exclusions. See "**Military personnel filing information**" for more details.

Physical presence test. To meet the requirements of the physical presence test:

- Your tax home must be in a foreign country, and
- You must be present in a foreign country or countries for 330 full days out of any consecutive 12-month period.

"Tax home" is generally your regular place of business or the location where you work, regardless of

where you live. For more information on tax home, refer to IRS Publication 54, *Tax Guide for U.S. Citizens and Resident Aliens Abroad*.

A “full day” means a period of 24 consecutive hours beginning at midnight. The 12-month period may begin on any date in the calendar year. The period ends the day before that same date, one year later. For example, a 12-month period beginning October 10 would end October 9 of the following year.

The 330 full days must fall within that 12-month period.

Example 1: Juan arrives in England on April 24, 2024, at noon. He establishes his tax home in England and remains there until 2 p.m. on March 21, 2026, when he leaves England to return to the United States. Juan is physically present in a foreign country for 330 full days during at least one 12-month period:

- One 12-month period starts on his first full day in England, April 25, 2024, and ends April 24, 2025.
- Another 12-month period starts on March 21, 2025, and ends March 20, 2026, his last full day in England.

Juan may use any 12-month period that begins after his arrival in England and ends before he returned to the United States to meet the physical presence test.

Juan qualifies for nonresident treatment for the months he was out of the country during 2024, 2025, and 2026. He should file Oregon part-year returns for 2024 and 2026, and a nonresident return for 2025.

Example 2: Use the facts in Example 1, but change Juan’s arrival date to June 23, 2025. In this case, Juan won’t qualify for nonresident treatment because he wasn’t physically present in a foreign country for 330 days. He must file a full-year resident return for 2025 and 2026 as well as 2024.

Bona fide residence test. To meet the requirements of the bona fide residence test, you must:

- Establish, to the satisfaction of the Secretary of the U.S. Treasury, bona fide residence in a foreign country, and
- Maintain a bona fide residence for an uninterrupted period that includes a full tax year.

Example 3: Sandra is a calendar-year taxpayer. She establishes a bona fide residence in Russia on August 12, 2024. On June 10, 2025, she moves out of her residence and spends six weeks at a hotel in Alaska. On July 22, 2025, she establishes a bona fide residence in South Korea. She is transferred back to the United States on May 8, 2026. She doesn’t meet the requirements of the bona fide residence test because she doesn’t maintain a bona fide residence for an uninterrupted period that includes a full tax year.

She also doesn’t qualify for the physical presence test because she isn’t physically present in a foreign country for 330 full days out of a consecutive 12-month period.

Example 4: Use example 3, but instead of going to South Korea, Sandra continues to work in Russia until February 2026. She would now qualify under the bona fide residence test. Her residence was established for a full tax year. Sandra should file a nonresident return for 2025. Sandra also qualifies for nonresident treatment for the months in 2024 and 2026 that she maintained the bona fide foreign residence. She should file Oregon part-year returns for 2024 and 2026.

For more information about physical presence or bona fide residence, see IRS Publication 54.

Tax treaties. If a U.S. tax treaty changes the meaning of terms used in determining federal taxable income, Oregon accepts the changed meaning as it applies to affected taxpayers. We may ask you to provide records showing how a particular treaty affects your taxable income.

Nonresidents

If you were domiciled outside Oregon and lived outside Oregon for the entire year, you were a nonresident of Oregon. If you are a nonresident, Oregon taxes only income you earned in Oregon and received from Oregon sources. In some cases, however, a taxpayer domiciled in Oregon can be treated as a nonresident. See “[Special-case Oregon residents.](#)”

Example 1: Misha was a permanent California resident in 2025. She temporarily worked in Medford as a computer consultant for two months in 2025. Misha is a nonresident of Oregon. She will pay Oregon tax on the income she earned in Oregon. California will also tax Misha’s income because she is a resident of that state. Because both Oregon and California will tax her income, Misha may claim a credit for taxes paid to another state. For information about this credit, see “[Income taxes paid to another state on mutually-taxed income.](#)”

Example 2: Nash is a permanent Nevada resident. He has rental property in Oregon. Nash is a nonresident of Oregon. He will pay Oregon tax on the income from his Oregon rental property.

Part-year residents

If you were domiciled in Oregon for part of the year and in another state for part of the year, you were a part-year Oregon resident. Oregon taxes all of your income for the part of the year you were an Oregon resident. Oregon also taxes any income earned in

Oregon or received from Oregon sources for the part of the year you were a nonresident.

Example 1: Gustav was a resident of Minnesota through July 21. On July 22, he moved to Oregon and established a new domicile here. Gustav is considered to be a part-year Oregon resident for the tax year.

Example 2: Tiffany is a resident of Oregon, but works in Alaska six months of the year. She returns to her home in Oregon when the job is complete. Tiffany isn't considered a part-year Oregon resident because she doesn't abandon her Oregon domicile when she works in Alaska.

Extensions of time to file

If you can't file your Oregon return by the due date, you may be able to get an extension of time to file. For 2025 returns, this means you have until October 15, 2026 to file.

An extension of time to file your return doesn't mean you have more time to pay your taxes.

You must pay any tax you expect to owe by April 15, 2026. If you don't, you will owe interest on the unpaid balance from April 15, 2026 until the date it's paid, and will be subject to a minimum penalty of 5 percent of the unpaid tax. To avoid penalty and interest charges, include enough payment with your extension to cover your tax liability. Once you file your return, if you have overpaid, we'll refund the overpayment. See ["Interest and penalties"](#) for more information.

Were you stationed in a designated combat zone?

If you were in the military and stationed in a designated combat zone, you may qualify for an automatic extension of time to file your return. See ["Military personnel filing information."](#)

Was your home or business located in a declared disaster area?

Did you receive additional time to file your federal tax return and pay your federal tax? If so, you may qualify for additional time to file your Oregon return and pay your Oregon tax. Check the "Disaster relief" box on your return.

Extension for filing returns

Oregon accepts your federal extension. If you didn't request a federal extension, but you need more time to file your Oregon return and you owe tax, see Publication OR-40-EXT, *Instructions for Automatic Extension of Time to File Oregon Individual Income Tax Return*. Your

extension payment must be received by April 15, 2026, to avoid penalties and interest. Download Publication OR-40-EXT from our website or contact us to order it.

Whether you owe tax or are expecting a refund, mark the "Extension filed" box on your Oregon return and file your return by October 15, 2026.

Which form do I file?

Oregon has three types of personal income tax forms. The form you use depends on your residency status.

Resident—Form OR-40

Use Form OR-40 if you are a full-year Oregon resident.

Part-year resident—Form OR-40-P

Use Form OR-40-P if any **one** of the following is true:

- You are a part-year resident; or
- You are filing jointly and one spouse is a full-year Oregon resident and one is a part-year resident; or
- You qualified as an Oregon resident living abroad for part of the year.

Nonresident—Form OR-40-N

Use Form OR-40-N if any **one** of the following is true:

- You are a nonresident; or
- You are a special-case Oregon resident (see ["Residency"](#)); or
- You and your spouse are filing jointly and one (or both) of you is a nonresident; or
- You meet the military personnel nonresident requirements (see ["Military personnel filing information"](#)); or
- You qualified as an Oregon resident living in a foreign country for the entire year (see ["Residency"](#)).

You may need to file supplemental schedules or forms, depending on your circumstances.

Nonresident trusts. If you file a federal Form 1040-NR and you're filing an Oregon return for a nonresident trust, you must file using Form OR-41. Don't file using Oregon Form OR-40-N.

Sales of Oregon real property by nonresidents

Withholding on real property sales. Authorized escrow agents may be required to withhold taxes due when a **nonresident** sells real property located in Oregon. Unless an exception applies, once escrow closes, the agent must withhold and remit the least of:

- Four percent of the consideration;
- The net proceeds from the sale; or
- Eight percent of the gain includible in Oregon taxable income.

For more information about this requirement and its exceptions, see the instructions for Form OR-18-WC, *Report of Tax Payment or Written Affirmation for Oregon Real Property Conveyance*, available on our website. If required, the nonresident transferor uses Form OR-18-WC to calculate their gain or claim an exemption from withholding, then gives the form to the escrow agent. The escrow agent completes the rest of the form and submits it and any required payment to the department. Keep a copy of this form for your own records.

Pass-through entities (PTEs)

Partnerships. Except for publicly-traded partnerships taxed as corporations, every partnership with one or more Oregon resident partners, and every partnership having income or loss derived from or connected with Oregon sources, must file Form OR-65, *Oregon Partnership Income Return*. Partnership income is generally taxable to the partners rather than the partnership. See the Form OR-65 instructions for further details. **Note: Oregon follows federal filing guidelines including the due date for filing a partnership return. If you aren't required to file a federal partnership return, you don't need to file one for Oregon.**

S corporations. S corporations doing business in Oregon or receiving income from Oregon sources are required to file Form OR-20-S, *Oregon S Corporation Tax Return*. S corporation income is generally taxable to the shareholders rather than the corporation. However, S corporations do pay Oregon tax on certain kinds of income. For more information, see the instructions for Form OR-20-S on our website.

LLCs. Oregon LLCs and foreign LLCs doing business in Oregon are taxed and classified the same as for federal income tax purposes.

- An LLC that chooses to be taxed as a corporation files Form OR-20, *Oregon Corporation Excise Tax Return*, or Form OR-20-INC, *Oregon Corporation Income Tax Return*.
- A multiple-member LLC that chooses to be taxed as a partnership files Form OR-65.
- A single-member LLC that chooses to be taxed as a sole proprietorship and files Schedule C, Schedule E, or Schedule F with their federal individual income tax return files the same way for Oregon.

PTEs with nonresident owners (ORS 314.778, 314.784)

Composite tax return. A PTE must file Form OR-OC, *Oregon Composite Return*, on behalf of nonresident owners who elect to be included on the return. For forms and instructions, see our website.

Nonresident withholding. A PTE must withhold tax on a nonresident owner's share of Oregon-source income if the nonresident owner elects not to be included on Form OR-OC, unless the nonresident owner's share of Oregon-source income is less than \$1,000 or other exceptions listed in ORS 314.784 apply. For more information, see the instructions for Form OR-19, *Annual Report of Pass-through Entity Owner Tax Payments*.

Filing status

General rule

The filing status on your Oregon return must be the same as your filing status on your federal return, unless you're married and have a different residency status than your spouse or you're an RDP who isn't married.

Example 1: Minerva filed her federal return using the filing status of single. She must use the single filing status on her Oregon return.

Example 2: Peter and Della are married and both are full-year Oregon residents. They filed a joint federal return. Peter and Della must use the married filing jointly filing status on their Oregon return.

Example 3: Tia and Colin are married and choose the married filing separately filing status on their federal returns. They must use the married filing separately filing status on each of their separate Oregon returns.

Exception: Filing status for married taxpayers with different residency status

If you and your spouse file a joint federal return but only one of you was an Oregon resident (either full-year or part-year), you have a choice of two different filing statuses to use for Oregon:

- You and your spouse may file one Oregon return using the married filing jointly status; or
- You and your spouse may each file a separate Oregon return using the married filing separately status.

You may not file as head of household (ORS 316.122).

Note: This exception doesn't apply to unmarried RDPs or married non-U.S. citizens without permanent resident status because these taxpayers may not file joint federal returns. For information on RDP filing, see "Registered domestic partners."

Which forms do we file?

Use Table 3 to determine which return form to use if you file a joint return or separate returns for Oregon.

Table 3. Spouses with different residency status

Spouses' residency status:	If you file a joint return, use:	If you file separate returns, use:
Part-year and nonresident	OR-40-N	Each spouse uses the form that matches their individual residency status
Nonresident and full-year resident	OR-40-N	
Part-year and full-year resident	OR-40-P	

Note: If you file separate federal returns, you must file separate Oregon returns. If you are a married nonresident without Oregon income, and you and your spouse are filing separate returns, you aren't required to file an Oregon return.

What information goes on each return?

On each spouse's separate Oregon return, enter the filer's name and Social Security number first, then the spouse's name and Social Security number. Mark the "Married filing separately" box.

"As if" federal returns. You must include an "as if" federal return showing how the return would have appeared if you had filed a separate federal return, along with a copy of the joint federal return that you actually filed. Label the "as if" federal returns and mark the "Calculated using 'as if' federal return" box on each Oregon return. If you are filing paper returns, mail both Oregon returns, the "as if" federal returns, and the actual federal return in the same envelope, but don't staple them together.

Income and deductions. You and your spouse each report your own share of income and deductions. Also, report your share of any Oregon additions, subtractions, modifications, or adjustments, including the federal tax subtraction.

Use the following guidelines when preparing your return:

Your percentage. Use this formula to compute your share of certain deductions:

$$\frac{\text{Your share of federal AGI}}{\text{Joint federal AGI}} = \text{Your percentage (not to exceed 100\%)}$$

If your share is less than \$0, your percentage is 0.

Federal tax subtraction. Each spouse may subtract their portion of the federal tax liability on their joint federal return. Multiply the joint federal tax liability (after all credits except the EIC) by your percentage

to determine your federal tax subtraction, with the applicable AGI limitation.

Itemized deductions. Multiply each itemized deduction by your percentage to compute the amount to include on your separate Schedule OR-A, *Oregon Itemized Deductions*, if you can't clearly determine each spouse's deductions. For more information about itemized deductions, see the instructions for Schedule OR-A.

- **Standard deduction.** The Oregon standard deduction is \$2,835 for each spouse.
- **Age 65 or older, or blind.** Each taxpayer is entitled to an additional deduction if they turned 65 on or before January 1, 2026, or if they're blind. The additional deduction is \$1,000 for married taxpayers filing separately. A taxpayer who is both age 65 or older and blind may claim two additional deductions plus the basic standard deduction.
- **Exception:** If one spouse claims itemized deductions, the other spouse can't claim the standard deduction. The other spouse may only claim itemized deductions.

Exemption credits. You can't prorate exemptions. You may claim exemptions for yourself and any dependents allowed on your federal return. You can't claim an exemption for the same dependent claimed on your spouse's return.

Example: Jim worked and lived in Oregon all year. Mary moved from Idaho to Oregon in July and married Jim. They filed a joint federal return and are filing separate returns for Oregon. Mary earned \$30,000 in Oregon and \$22,000 in Idaho. Jim earned \$41,000 in Oregon. Their total federal AGI was \$93,000. Jim and Mary claimed the standard deduction on their joint federal return. They had \$12,200 in Oregon itemized deductions, including \$4,000 in property tax and \$6,400 in mortgage interest on their Oregon home, and \$1,800 in charitable contributions. Their joint federal income tax liability was \$14,400. Jim, a full-year Oregon resident, files Form OR-40 and reports his income of \$41,000. On the return, he enters his own name and Social Security number (SSN) first, then enters Mary's information, and marks the "Married filing separately" box. He creates an "as if" federal return, marks the "Calculated using 'as if' federal return" box on the Oregon return, and claims the following federal tax liability and deductions:

His share: $\$41,000 \div \$93,000 = 0.44$ (44%)

Federal tax: $0.44 \times \$14,400 = \$6,336$

(His subtraction is limited to \$4,250; see "Federal income tax liability" in "Subtractions.")

Oregon itemized deductions:

Property tax: $0.44 \times \$4,000 = \$1,760$

Mortgage interest: $0.44 \times \$6,400 = \$2,816$

Charitable contributions: $0.44 \times \$1,800 = \792

Total Oregon itemized deductions: $\$5,368$

Jim will have Oregon itemized deductions of \$5,368. He follows the line instructions for Oregon Form OR-40 and Schedule OR-A to complete his return.

Mary, a part-year resident, files Form OR-40-P and reports \$52,000 federal AGI (\$30,000 from Oregon sources). On her return, she enters her own name and SSN first, then enters Jim's information, and marks the "Married filing separately" box. She creates an "as if" federal return, marks the "Calculated using 'as if' federal return" box on the Oregon return, and claims the following federal tax liability and deductions:

Her share: $\$52,000 \div \$93,000 = 0.56$ (56%)

Federal tax: $0.56 \times \$14,400 = \$8,064$

(Her subtraction is also limited to \$4,250.)

Oregon itemized deductions:

Property tax: $0.56 \times \$4,000 = \$2,240$

Mortgage interest: $0.56 \times \$6,400 = \$3,584$

Charitable contributions: $0.56 \times \$1,800 = \$1,008$

Total Oregon itemized deductions: $\$6,832$

Mary will have Oregon itemized deductions of \$6,832. She follows the line instructions for Form OR-40-P and Schedule OR-A to complete her return.

Married filing separately with community property income

An Oregon resident whose spouse lives in a community property state may have community property income that is taxable by Oregon. There are nine community property states: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin.

Some residents of community property states aren't subject to community property laws for various reasons. You will need to check with your community property state for details. IRS Publication 555, *Community Property*, also contains information that may be helpful to you.

Here are examples of how to file for Oregon:

Example 1: Paul and Marie are married, but they are legally separated. Paul is an Oregon resident. Marie is

a resident of California, a community property state. They maintain separate households, don't combine funds, and have no plans to get back together. They file a joint return with the IRS. When Paul files his separate return for Oregon on Form OR-40, he doesn't have to include any community property income because California's community property laws don't apply to him and Marie.

Example 2: Renton is an Idaho resident. His wife, Julie, lives in Oregon. Julie plans to move to Idaho next year, but for now they will live separately. Julie's income for the year is \$40,000 in wages, \$3,000 in capital gain, and \$100 in interest.

Because Renton is domiciled in Idaho, he and Julie are subject to Idaho's community property laws. His income for the year is \$60,000 in wages and \$500 in interest. They plan to file a joint return with the IRS, but aren't sure whether they want to file jointly for Oregon.

If they file a joint return for Oregon, they will file on Form OR-40-N. The Oregon column will contain all of Julie's income, because Oregon taxes all of her income from all sources. In addition to Julie's separate income, she has \$30,250 of community property income for the year—half of Renton's wages and bank interest. Line 34F (federal column) of their joint Form OR-40-N is \$103,600, which is equal to their federal AGI. Line 34S (Oregon column) is \$73,350—Julie's wages, capital gain, interest, and community property income (\$40,000 + \$3,000 + \$100 + \$30,250). They are also eligible for a credit for taxes paid to Idaho on Julie's mutually-taxed income of \$30,250. (See "Income taxes paid to another state on mutually-taxed income" for more information on this credit.)

If they file separate returns for Oregon, Julie will file using Form OR-40. Julie will fill out an "as if" federal return as if she had filed separately. She will include \$73,350 in separate income and community property income. This amount flows through to Line 7 of her Oregon Form OR-40. She is eligible for a credit for taxes paid to Idaho, because she must also file a non-resident Idaho return to report her community property income of \$30,250.

Example 3: Kevin lives and works in California and is subject to California's community property laws. Lori, his wife, moved to Oregon with their kids two years ago. Kevin supports them and will be ready to transfer to Oregon within the next two years. Kevin has \$110,000 in wages. Kevin and Lori have joint income of \$2,000 in interest and \$4,000 in capital gain. Lori has separate income of \$5,000 from her business. They decide to file separate federal returns. Lori's federal AGI is \$63,000: half of Kevin's wages, half of their joint income, and all of her business income.

Kevin's federal AGI is \$58,000; half of his wages and half of their joint income. Lori must file using the married filing separately filing status for Oregon on Form OR-40 because she did so on her federal return. She is eligible for a credit for taxes paid to another state, but must claim it on her California nonresident return. Kevin isn't required to file for Oregon.

Important: You must check the laws of the community property state to see if you, or your spouse, are subject to those laws even if your situation is similar to one of the examples.

Registered domestic partners (RDPs) (ORS 314.023)

Filing your Oregon income tax return

The following section applies only to Oregon RDPs who haven't been legally married. If you were legally married at the end of the tax year, you are considered married for federal and Oregon purposes. You don't need to complete an "as-if" federal return. Instead, attach your actual federal return to your Oregon return and follow the instructions for married individuals.

In Oregon, a domestic partnership is a civil contract entered into between two individuals, where at least one of the individuals is an Oregon resident. RDPs are subject to the same tax statutes and regulations that apply to married filers. As an RDP, you are no longer eligible to use the single filing status on your Oregon return; generally, you must use the married filing jointly or married filing separately status. See IRS Publication 17 for information about other filing status requirements. To correctly figure your Oregon tax liability, you need to complete an "as if" federal income tax return as if you are filing as married filing jointly or married filing separately for federal purposes. Use the information you calculated on the "as if" federal return to complete your Oregon income tax return. You won't submit your "as if" federal return to the IRS, but you must include a copy with your Oregon tax return. Mark the "Calculated using 'as if' federal return" box on the Oregon return.

General filing instructions for RDPs

If you were an Oregon RDP on December 31, or if you were an RDP during the year and your partner died and you didn't enter into a new registered domestic partnership or marry before the end of the year, follow these directions for filing your income tax return:

1. Complete your federal return forms for each partner using the appropriate federal filing status, such as single or head of household. File these returns with the IRS.

2. Use another federal form to complete an "as if" federal return. Use all the same IRS rules and procedures that apply to married couples, except for the federal tax liability. **Important:** Don't file this "as if" federal return with the IRS. Note: If your wage statement includes the imputed value of health or education benefits you received from your employer for your partner or qualifying dependents, subtract the amount included in your wages as "other income" on Schedule 1 of your "as if" federal return.
3. Complete your Oregon return using the same filing status you used on the "as if" federal return. Information used to fill out the Oregon return must be taken from the "as if" federal return and not the individual federal return that you actually filed with the IRS, except for the federal income tax liability subtraction. Use the amount each partner actually paid in federal tax to compute the correct federal tax subtraction.
4. Submit both of your actual federal returns, your "as if" federal return, and your Oregon return to us. If you and your partner file separate Oregon returns, send the returns in the same envelope, but don't staple your separate returns together.

It's very important to keep copies of all "as if" federal returns with your tax records for future reference. For more information on filing your tax return as an Oregon RDP, visit our website and search for RDP information.

Individual Taxpayer Identification Number

The IRS issues individual taxpayer identification numbers (ITINs) to taxpayers and their dependents who don't have SSNs. If you have your own SSN, **don't** apply for an ITIN; use your SSN. If you already have an ITIN, enter your ITIN wherever an SSN is requested.

Requesting an ITIN from the IRS

If you don't have an ITIN, you must file your federal return and attach Form W-7, *Application for IRS Individual Taxpayer Identification Number*. The IRS will issue an ITIN, associate the ITIN with your return, and process your return. For Form W-7, go to the IRS website at www.irs.gov or call 800-829-3676.

Filing your Oregon return before receiving your ITIN

You may file your Oregon return without an SSN or ITIN. Follow these instructions if you, your spouse, or your dependents don't have an ITIN when you file your Oregon return:

1. Complete and file each ITIN application (federal Form W-7) according to IRS instructions.
2. On your Oregon tax return, mark the "Applied for ITIN" box wherever the SSN is required for you or your family members who have applied for an ITIN. You don't need the ITIN(s) to file your Oregon tax return. Don't attach your ITIN application to your Oregon tax return.
3. File your 2025 Oregon tax return by April 15, 2026.
4. The IRS will send you a letter with your ITIN information. We need this information to issue your refund and correctly apply your future tax payments to your account. **Refunds won't be issued without a valid SSN or ITIN.** Send us your:

- Name (and the name of your spouse and dependents if they applied for an ITIN).
- Current address.
- Previous SSNs or ITINs used when filing an Oregon return (if any); and
- A copy of each of the letters you receive from the IRS with the ITINs for you, your spouse, or your dependents.

Send this information to:

Oregon Department of Revenue
PO Box 14999
Salem OR 97309-0990

Military personnel filing information

Federal laws determine how a state may tax the income of military personnel and their spouses. These federal laws include the Servicemember's Civil Relief Act (SCRA) and the Military Spouse Residency Relief Act (MSRRA). Your residency status determines how Oregon treats your military pay or other income for tax purposes.

Moving expense deduction

Your unreimbursed moving expenses may be deducted on your Oregon return only if:

- You are on active duty in the U.S. Army, Navy, Air Force, Marines, Coast Guard, or Space Force,
- Your expenses are deductible on your federal return because they are related to a permanent change of station (known as a PCS move),
- Your new duty station is in Oregon, **and**
- You have taxable income from employment (military pay or other employment, including self-employment) performed in Oregon.

Note: Are you the spouse of a military member? See "Military spouses."

Residency of military personnel

Domicile. Generally, you are considered to be an Oregon resident if your domicile is in Oregon. Your domicile is the place that you consider to be your home. It's the place where you are from, and where you plan to return when you are away. Your domicile doesn't change if you are assigned to perform military service in another state, unless you take other actions to establish a new domicile there. Domicile and residency are explained in more detail in "Residency."

Exceptions to Oregon residency

Even if you are domiciled in Oregon, you may be treated as a nonresident for tax purposes if you meet the requirements listed in A, B, or C:

A. Special-case nonresident. You are treated as a "special-case" nonresident of Oregon if you are stationed outside of Oregon and all three of the following are true:

1. You didn't have a permanent residence in Oregon for yourself or your family during any part of the tax year, and
2. Your permanent residence was outside Oregon during the entire tax year, and
3. You spent less than 31 days in Oregon during the tax year.

B. DFAS address outside of Oregon. You are treated as a nonresident of Oregon, no matter where you are stationed, if both of the following are true:

1. You are performing "active service," as defined in 10 United States Code (U.S.C.) Section 101(d) (3), other than annual training duty or inactive-duty training, and
2. You are a resident of another state according to DFAS payroll records.

C. Military domicile election. Under federal law, a member of the military and the member's spouse may choose to be treated as a resident of any of the following for tax purposes:

1. The residence or domicile of the member.
2. The residence or domicile of the spouse.
3. The permanent duty station of the member.

If you meet the requirements in either A or B above or you make the election under C to treat another location as your domicile, you are treated as a nonresident for Oregon tax purposes and Oregon won't tax your military pay. You will owe Oregon tax only if you had income from another Oregon source. This income may be from an Oregon property sale, a business, or rental property located in Oregon. If you have had Oregon income tax withheld from your military pay, you should file an Oregon nonresident tax return to get a refund of the withheld tax. If you continue to

be a nonresident, file an Oregon-only withholding certificate with your pay clerk as described in **"Withholding exemption."**

Oregon residents

Stationed in Oregon. If you are domiciled in Oregon and stationed in Oregon, you are generally taxed on income from all sources, both inside and outside Oregon. This includes your military pay for service in Oregon if either of the following is true for you:

- Your address in the DFAS payroll records is in Oregon; or
- Your military pay is from annual training duty, inactive-duty training, or other service in Oregon that isn't "active service" as defined in 10 U.S.C. Section 101(d)(3).

If neither of these are true, see the **Exceptions to Oregon residency**, above, to see if you qualify for treatment as a nonresident for tax purposes.

Stationed outside Oregon. If you are domiciled in Oregon, but you are stationed outside of the state, see the **Exceptions to Oregon residency**, above, to find out whether you can be treated as a nonresident of Oregon for tax purposes. If you don't qualify as a nonresident, you will be taxed as a resident on your income from all sources, both inside and outside Oregon.

Military pay subtractions

[Subtraction code 319]

You may qualify for more than one subtraction for military pay. To be eligible for the subtractions, the military pay must be included in federal AGI. Military pay includes active duty pay, reenlistment bonuses, and pay for guard and reserve annual training, weekend drills, and inactive duty training.

The Oregon military pay subtractions are:

- **Stationed outside Oregon.** As of August 1, 1990, you can subtract military pay earned while stationed anywhere outside Oregon until the date the president sets as the end of combat zone activities in the Persian Gulf Desert Shield area. The date wasn't set when this material was last revised. You aren't required to be stationed in a designated combat zone to be eligible for this subtraction.
- **Guard and reserve away from home.** National Guard members and reservists assigned away from home for 21 days or longer can subtract their military pay earned during this time.
- **Active service in Oregon National Guard.** Oregon National Guard members may subtract their military pay earned while in active service of the state or on state active duty under the authority of the governor.

- **Other military pay.** You can subtract any remaining taxable military pay after taking the above subtractions, up to \$6,000.

Total subtraction. You may qualify for more than one military pay subtraction. However, your total subtraction can't be more than the total military pay included in federal AGI.

Note: Certain forms of military pay that aren't included in federal AGI, such as combat pay, aren't taxed in Oregon. They aren't subtracted on your return because they aren't included in your federal taxable income.

The following examples show the military pay subtractions described above.

Example 1: Seth, an Oregon resident, enlisted in the Navy. He earned \$10,000 of active duty pay in Spain and \$8,000 of military pay inside Oregon during the year. His address in the DFAS payroll records is in Oregon. He included the \$18,000 in his federal AGI. Seth's total military pay subtraction is \$16,000. Seth can subtract the \$10,000 earned outside Oregon, and \$6,000 of his military pay earned in Oregon. Seth files Oregon Form OR-40 and claims his military pay subtraction on Schedule OR-ASC.

Example 2: Brett is an Oregon resident and files jointly with his wife, who lives and maintains a residence in Oregon. Brett served in a designated combat zone for five months this year and earned \$8,000 in combat pay. He served in Germany for the rest of the year and earned \$15,000 of military pay. The president didn't declare an end to combat zone activities this year. Because Brett excluded his combat pay on his federal return, he doesn't have to subtract it on his Oregon return. Therefore, Brett's Oregon subtraction is the \$15,000 of military pay earned outside Oregon and included in federal AGI. Brett and his wife will file Oregon Form OR-40 and claim the subtraction on Schedule OR-ASC.

Example 3: Jessica is an Oregon resident and a member of the Oregon National Guard. She was called into active service of the state this year as part of a drug interdiction operation authorized by the governor and earned \$4,000 in military pay. She included the pay in her federal AGI. Jessica will file Oregon Form OR-40 and claim the whole amount as a subtraction on Schedule OR-ASC.

Example 4: Gertrude and Merlin are married, filing a joint return. Both are Oregon residents, and their address in the DFAS payroll records is in Oregon. Gertrude was on active duty overseas (not in a combat zone) this year. She had \$21,000 active duty pay. Merlin served in the Oregon National Guard and was away from home overnight from April to July and

again for two weeks in November. He served in Oregon when away from home, but was called up by the president into federal service. Merlin earned \$1,500 military pay for his weekend drills. He also earned \$8,000 while away from home from April to July and \$1,000 for the two weeks in November. Gertrude and Merlin will include \$31,500 of military pay in their federal AGI. Then they will determine their Oregon subtraction.

- **Stationed outside Oregon:** All \$21,000 of Gertrude's active duty pay is eligible for this subtraction because she was stationed outside Oregon.
- **Guard and reserve away from home:** \$8,000 of Merlin's pay is eligible for this subtraction because he was away from home for more than 21 consecutive days from April to July. The pay he received for the two weeks he was away from home in November doesn't qualify because he served in Oregon but wasn't serving under the authority of the governor.
- **Other military pay:** Gertrude doesn't have any other military pay not already eligible for the other subtractions. Merlin's remaining military pay is the \$1,500 he earned for weekend drills and the \$1,000 he earned for two weeks in November. The total for the remaining pay is \$2,500, which is less than the \$6,000 maximum allowed per military member, so he is allowed to subtract the entire \$2,500.

Combined, Gertrude and Merlin have a military pay subtraction of \$31,500, because all of their military pay is eligible for at least one of Oregon's military pay subtractions. They will file Oregon Form OR-40 and claim the subtraction on Schedule OR-ASC.

Nonresidents stationed in Oregon

Oregon doesn't tax your military pay if you are domiciled in another state. You don't need to file an Oregon return unless you had other income from an Oregon source or had Oregon tax withheld from your pay. Examples of Oregon-source income include:

- Wages from a job held on off-duty hours.
- Earnings from an Oregon business or rental property.

Note: Nonresidents' interest income from an Oregon bank account generally isn't taxable by Oregon.

If you had Oregon tax withheld from your military pay, you should file a return to claim a refund. You should also contact your payroll clerk to stop withholding Oregon taxes if Oregon isn't your state of domicile.

A nonresident with a permanent duty station in Oregon may elect to be taxed as an Oregon resident. See ["Exceptions to Oregon residency"](#) for more information.

Example 1: Selina is a nonresident of Oregon in the U.S. Navy stationed in Portland. She has no other Oregon-source income and doesn't have Oregon income tax withheld from her military pay. Selina isn't required to file an Oregon return.

Example 2: Jared is a nonresident of Oregon in the U.S. Coast Guard stationed in Astoria. In his off-duty hours he works part-time for an Oregon employer. Because Jared has Oregon income other than his military wages, he will file Oregon Form OR-40-N as a nonresident.

Filing your nonresident return

If you have other income from Oregon sources, use Form OR-40-N. Enter your military income on line 7 in the federal column only. Don't enter your military pay in the Oregon column. Report other income taxable by Oregon in the Oregon column. On Schedule OR-ASC-NP, enter the military wage income you reported in the federal column on line 7, but only in the federal column. In the Oregon column, enter \$0. It's important to enter your military pay this way because it affects the amount of deductions and credits you're entitled to claim. Mark the "Military" box on the return.

If you and your spouse file a joint federal return, and you are both nonresidents of Oregon, you must file a joint Oregon return as well. Use Form OR-40-N. If your spouse is an Oregon resident, you have the option of using the married filing separately status for Oregon. Your spouse would file Form OR-40, or Form OR-40-P if a part-year Oregon resident, and you would file Form OR-40-N. If you file a joint return, use Form OR-40-N.

Filing and payment date

The due date for filing a calendar year return and payment of the tax is usually April 15. If the 15th falls on a Saturday, Sunday, or legal holiday, the due date is the next working day of the month. If you are outside the United States for military duty on the due date, the due date is extended by two months. Mark the "Extension filed" box on your return. See ["Extensions of time to file"](#) for more information.

If you owe tax on your Oregon income tax return, you must pay the entire amount by the due date. Interest and penalty will be added to all unpaid balances.

Extension for filing your return

You can get an extension to file your return, but you can't get an extension to pay your tax. More information can be found under ["Extensions of time to file."](#)

Combat zone/Contingency area. Were you stationed in a combat zone or contingency area? Did you receive additional time from the IRS to file your

federal return and pay your tax? If both are true, Oregon allows the same additional time to file and pay your Oregon tax. Mark the “Extension filed” and “Military” boxes on your return. Keep your payroll records or other proof of your combat zone/contingency area service and the IRS extension with your tax records; we may request a copy at a later date.

Interest and collections

If your active duty service (Title 10) has materially affected your ability to pay your Oregon tax debt, you may qualify for relief of interest and collection activity while on active duty and up to 180 days thereafter. The interest rate on tax debt owed by military members is limited to 6 percent annually. File a claim for relief by writing to us within 180 days after your active duty service has ended. Relief may not be available for the period prior to receiving your request. Include a copy of orders showing your active duty status and dates.

You may qualify for relief of interest and collection activity under Oregon law if you meet all of the following requirements:

- You have a tax liability that came due while on active duty under Title 10,
- You have been on active duty for more than 90 consecutive days,
- Your active duty service (Title 10) occurred on or after September 11, 2001, and
- You notify us within 180 days after your active duty service has ended.

Guard members called into active state service by the governor under Title 32 may qualify for relief of interest and collection activities on any tax owed prior to active state service. Send a written request for relief to us within 180 days after the active state service has ended. Include a copy of your orders. Relief may not be available for the period prior to receiving your notification.

Withholding exemption

You have the option to stop Oregon withholding from your military pay if **all** of the following are true:

- You had a right to a refund of all 2025 Oregon income tax withheld because you had no tax liability, **and**
- You expect a refund of all 2026 Oregon income tax withheld because you reasonably believe you won't have any tax liability, **and**
- For all of 2026, you expect to be stationed outside of Oregon or continue to have an address outside of Oregon in the DFAS payroll records.

If all of the above are true and you don't want Oregon tax withheld from your military pay, you must file an

additional withholding certificate with your payroll office. Use Form OR-W-4, *Oregon Withholding Statement and Exemption Certificate*, and follow the instructions to declare that your military pay is exempt using the appropriate code. Give Form OR-W-4 to your pay clerk, and submit a new form by February 15 of each year that you're claiming the exemption.

Military spouses

If you're a military spouse, the state where you live may be different from the state where you are domiciled. See “**Residency**” for more information about determining your domicile.

Under the SCRA, for tax purposes you may elect to be treated as a resident of the same state as the military member. Under MSRRA, your income may not be taxable to Oregon if your spouse is stationed in Oregon, you are living in Oregon to be with your spouse, and you are domiciled outside of Oregon.

In addition, your income may not be taxable if you are domiciled in Oregon, but you are living in another state where your spouse is stationed. See “**Special-case Oregon residents**” in “**Residency**” for details.

Nonresident spouse of military member stationed in Oregon

MSRRA prevents Oregon from taxing your Oregon wages if you meet certain criteria. If you're living in Oregon only to be with your spouse who is stationed here, and you're domiciled outside of Oregon, your Oregon wages are exempt from Oregon tax and aren't considered to be Oregon-source income.

You aren't required to file an Oregon return unless you had other income from an Oregon source or Oregon taxes were withheld from your pay. Examples of Oregon-source income include:

- Non-military wages earned by your spouse (the military member) in Oregon.
- Income from a business you operate in Oregon.
- Rental income from Oregon property.

If you file an Oregon return, use Form OR-40-N. Include all of your wages on line 7 in the federal column **only**. Don't include your exempt income (or your spouse's military pay) in the Oregon column. There is no further adjustment for your exempt wages. For information about the subtraction for your spouse's military pay, see “**Filing your nonresident return**”, above.

Example: Staff Sergeant Wilson, USAF, and his spouse, Tracy, are Arizona residents living in Klamath Falls where SSgt Wilson is stationed. In addition to his military duty, SSgt Wilson works part-time at a local car dealership where Tracy works as the finance manager. They must file an Oregon nonresident

return to report SSgt Wilson's wages from the car dealership. They report his military pay and all of their wages in the federal column of Form OR-40-N, and only his wages from the car dealership in the Oregon column.

To stop withholding of Oregon income tax from your exempt wages, complete an additional withholding certificate. Use Form OR-W-4 and follow the instructions to declare that your wages are exempt using the appropriate code. Give Form OR-W-4 to your employer, and submit a new form by February 15 of each year that you're claiming the exemption.

Your employer may require proof that you qualify for the exemption.

Oregon resident spouse of military member stationed outside Oregon

If your spouse is stationed outside of Oregon, but you are an Oregon resident living in Oregon, your income is taxable for Oregon purposes. If you file a joint return with your spouse, use Form OR-40-N, and include all of your income in the Oregon column. If you and your spouse file a joint federal return, and your spouse isn't a resident of Oregon, you have the option to file joint or separate returns. If you file a joint return, use Form OR-40-N; if you use the married filing separately status, use Form OR-40 (or Form OR-40-P if you're a part-year resident) and your

spouse with Oregon-source income uses Form OR-40-N. If your spouse doesn't have income taxable to Oregon, they aren't required to file a separate Oregon return. Use the general instructions for all taxpayers.

Do you qualify to be treated as a nonresident because you meet the "special-case resident" requirements or you're making the election under the SCRA? If so, you aren't taxed on your out-of-state wages or self-employment income. This is the case even if the other state can't tax you because of MSRRA. You don't have to file an Oregon return unless you had Oregon tax withheld or other Oregon source income, such as rental income or retirement pay. See **"Special-case Oregon residents"** in **"Residency"** for details. If you file an Oregon return, use Form OR-40-N.

Moving expenses of military spouses

As the spouse of an active duty member of the U.S. Army, Navy, Air Force, Marines, Coast Guard, or Space Force, your unreimbursed moving expenses may be deducted on your Oregon return only if:

- Your expenses are deductible on your federal return,
- You relocate to, or within, Oregon when the military member is ordered to relocate due to a permanent change of duty station (known as a PCS move), **and**
- You have taxable income from employment, including self-employment, performed in Oregon.

Oregon tax

Your Oregon income tax is based on your taxable income. Oregon taxable income is your federal taxable income with the additions, subtractions, and modifications described in Oregon's tax laws and this publication. For Oregon residents, your income tax is based on your taxable income from all sources. The income tax for nonresidents is based on taxable income from Oregon sources. If you're a part-year resident, your tax is figured the same way as a resident's, and then your Oregon percentage is applied to the tax.

Personal income tax rates (ORS 316.037)

For individuals, the Oregon tax rate that applies to your taxable income increases as your income increases from one bracket to the next. The tax rates and bracket amounts for 2022 through 2025 are shown on the last page of this publication.

This section provides a general outline of how to figure your tax. You can find detailed examples in the instructions for your Oregon personal income tax return. Full-year residents use either the tax tables or the tax rate charts published inside Form OR-40 Instructions. Nonresidents and part-year residents use the tax rate charts published inside Form OR-40-N and Form OR-40-P Instructions.

Alternative tax rates. Most taxpayers use either the tax tables or rate charts in the return instructions to figure their Oregon income tax. However, there are special methods if your income includes any of these items:

- Qualified business income.
- Income from farming.
- Capital gain from the sale of farming property.

These items are described in more detail later.

Elective tax for partnerships and S corporations. For tax years beginning on or after January 1, 2022 and before January 1, 2026, certain partnerships and S corporations may elect to pay income tax at the entity level. See "Pass-through entity elective tax" for more information.

Amount in lieu of tax for federally-audited partnerships. Partnerships audited at the federal level may pay an amount in lieu of Oregon income tax owed by its partners on the audit adjustments. See "CPAR tax."

Additions to tax

You may have the following additions to your Oregon income tax to report on your return:

- Interest on installment sales.
- Tax recapture for nonqualified withdrawal from Oregon higher education savings plan accounts.
- Tax recapture for nonqualified withdrawal from ABLE accounts.

These items are described in more detail later.

Credits and payments

Credits. After you figure your income tax and any additions to tax, determine if you are eligible for any tax credits. A few of Oregon's tax credits are refundable, meaning you may receive a refund of any amount that is more than your tax for the year. Most are nonrefundable and can't be more than your tax liability for the year. Some nonrefundable credits allow any unused amount to be carried forward to a later year. Qualifications and other detailed information for Oregon's tax credits can be found in "Credits," in the Schedule OR-ASC and OR-ASC-NP Instructions, and in the instructions for your Oregon income tax return.

Payments. After you determine your total tax, including any additions to tax, and subtract your tax credits, figure the total payments you have already made for the year. Payments may include the following:

- Income tax withheld from your wages by your employer.
- Tax withheld from lottery winnings, annuities, and pensions.
- Estimated tax payments.
- Refund from a prior year applied to this year's estimated tax.
- Payment made with an extension request.
- Tax payments made on your behalf by a PTE.
- Tax withheld from the sale of Oregon real property by a nonresident seller.

Refundable credits are also considered to be tax payments.

For more information about these different types of payments, see the instructions for your Oregon personal income tax return and the following forms and publications:

- Form OR-W-4 and Form OR-W-4 Instructions for information about withholding.
- Publication OR-ESTIMATE, *Oregon Estimated Income Tax Instructions*, and the "Estimated tax" section of this publication.
- Publication OR-40-EXT for information about requesting an Oregon extension to file your return.
- Schedule OR-K-1, *Distributive Share of Income, Deductions, Credits, etc.*, and Schedule OR-K-1 Instructions for owner taxes paid by a partnership.

- Form OR-19 Instructions for tax withheld by a PTE on behalf of a nonresident owner.
- Publication OR-OC for amounts in lieu of tax paid by a partnership following a CPAR adjustment.
- Form OR-18-WC and Form OR-18-WC Instructions for tax withheld from the sale of Oregon real property by a nonresident seller.

Refund or balance due. To determine whether you are entitled to a refund or whether you must make a payment when you file your Oregon return, compare your total payments with your total tax. If you are entitled to a refund, see the instructions for your Oregon return and the “Refunds” section of this publication for your options. If you have a balance due, see “Payment options” for information about ways to pay your Oregon income tax.

Interest and penalties

You may owe penalties and interest if you don’t make your tax payments on time. If you are required to make estimated tax payments, you may owe underpayment interest if your installment payments aren’t made by the due dates, even if you are receiving a refund. See “Interest and penalties” and “Interest on underpayment of estimated tax” in this publication and Form OR-10 Instructions for details.

Qualified business income reduced tax rate (ORS 316.043)

If you have qualifying business income from a sole proprietorship, a partnership, or an S corporation, you may elect to calculate your Oregon income tax using a reduced tax rate for that income.

The tax on the first \$5 million in qualifying business income is shown in Table 4:

Table 4. Tax on qualified business income

Amount of qualifying business income		Tax
At least	But not more than	
\$0	\$500,000	7 percent
\$500,001	\$1,000,000	\$35,000 plus 7.5 percent of the amount above \$500,000
\$1,000,001	\$2,500,000	\$72,500 plus 8 percent of the amount above \$1,000,000
\$2,500,001	\$5,000,000	\$192,500 plus 9 percent of the amount above \$2,500,000

Qualifying business income that is more than \$5 million is taxed at the maximum personal income tax rate of nine and nine-tenths percent.

The qualified business income reduced tax rate is an irrevocable election for each tax year that must be made on the original return. You can’t amend to revoke or make the election after your original return is filed unless you file an amended return on or before the original due date of April 15, 2026, or if filing on extension, before the extension due date of October 15, 2026. The election is made by submitting the Schedule OR-PTE, *Qualified Business Income Reduced Tax Rate Schedule*, appropriate for your residency status and checking the PTE box on your Oregon income tax return. No additions, subtractions, or deductions other than depreciation are allowed in the calculation of the tax on qualifying income. The schedule and instructions are available for download from our website, or you can contact us to order them.

You can find answers to common questions on our website. Visit www.oregon.gov/dor and search for “reduced tax rate.”

Qualifications

General requirements

To be eligible for the reduced tax rate, you must:

- Have qualified business income from the business;
- Materially participate in the business; and
- Employ one or more employees in Oregon who meet the employee requirements.

Qualified business income. Qualified business income is income other than from passive activities as that term is defined in IRC Section 469. Income from trusts, estates, qualified joint ventures, and disregarded entities doesn’t qualify. **Note for tiered entities:** Qualified business income passed through to a higher-tier entity from a lower-tier entity will qualify for the reduced tax rate if the lower-tier entity meets the ordinary business income and the employee or distribution requirements.

Material participation. A taxpayer materially participates in an activity if the taxpayer works on a regular, continuous, and substantial basis in operations of the business. Under certain circumstances, related entities may be grouped into a single activity in order to meet this requirement. Refer to IRC Section 469 and the related IRS regulations for more detailed information.

Employee requirement. The business must have the required number of employees who performed work for the entity in Oregon for the required number of hours during the tax year. An employee must work at least 30 hours in a week for that week’s hours to count. An employee can’t be an owner, a member, a limited

partner, or the sole proprietor, but hours worked by an employee who is a spouse or other family member (who isn't an owner, member, limited partner, or sole proprietor) can be used to meet the hour requirement.

Note: If the business contracts with a professional employer organization to employ temporary or "leased" employees, the business can use the hours worked in Oregon by those employees to qualify for the reduced tax rate if the employee requirements are otherwise met.

Partnership or S corporation requirements

In addition to the general requirements, for a partner or shareholder, the partnership or S corporation must:

- Have ordinary business income that doesn't exceed \$5 million; and
- If ordinary business income is more than \$250,000, comply with the employee-to-owner ratio requirement shown in Table 5 or meet the income distribution requirement described below.

Employee-to-owner ratio requirement. Unless the income distribution requirement is met, partnerships and S corporations with more than \$250,000 in ordinary business income must have, at a minimum, the number of qualifying employees in Oregon per owner as shown in Table 5. The combined total of hours worked by the qualifying employees, up to 1,200 hours per employee, must be at least the number shown in Table 5.

Table 5. Partnership and S corporation employee requirements

Ordinary business income is at least	But not more than	Employees required	Aggregate hours worked by employees
\$0	\$250,000	One	1,200
\$250,001	\$500,000	One per owner	1,200 per owner
\$500,001	\$1,000,000	Two per owner	2,400 per owner
\$1,000,001	\$2,500,000	Four per owner	4,800 per owner
\$2,500,001	\$5,000,000	Ten per owner	12,000 per owner

Income distribution requirement. A partnership or S corporation with more than \$250,000 in ordinary business income may still qualify for the reduced tax rate even if the employee-to-owner ratio shown in Table 5 isn't met, so long as income distributions don't exceed 25 percent of ordinary business income. Calculate the percentage using the total distributions and total ordinary business income for the current tax year and up

to two of the most recent tax years. Treat an annual amount of less than zero as zero for that year.

PTE-E tax addition. Certain partnerships and S corporations may elect to pay Oregon income tax at the entity level. Individuals who are direct or indirect members of an electing entity must report an addition for any PTE-E tax deducted on an entity-level federal return. The addition amount may be included in qualified business income, but only to the extent that the ordinary business income reported on the entity-level federal return qualifies for the reduced tax rate.

Individuals must use the federal Schedule K-1 and Oregon Schedule OR-21-K-1 issued by the electing entity and this formula if not all of the ordinary business income passed through from the entity qualifies for the reduced tax rate:

$$\frac{\text{Qualifying business income from electing entity}}{\text{Ordinary business income from Schedule K-1, box 1}} \times \frac{\text{Addition from Schedule OR-21-K-1, line 2}}{\text{Amount to include in qualified business income}}$$

See "Pass-through entity elective tax" for more information.

Example 1: Bryant and Marcus are each the sole shareholders of an S corporation. The S corporations are each 50 percent owners in a partnership. Bryant and Marcus both materially participate in the partnership, which has ordinary business income of \$2 million. The partnership employs seven full-time employees who perform their work in Oregon all year long. Bryant and Marcus receive a distributive share of nonpassive income from the partnership that passes through their respective S corporations. Each also receives a salary for work performed for the partnership. The distributive share of nonpassive income they receive from the partnership qualifies for the reduced tax rate because the partnership meets the ordinary business income and employee requirements. However, the salary each received from the partnership doesn't qualify for the reduced rate.

Example 2: Alpha Partnership has \$200,000 in ordinary business income for the year. Alpha's employee, Ralph, worked a total of 1,496 hours during the year in Oregon. Ralph worked 32 hours per week for 31 weeks and 24 hours per week for 19 weeks. Alpha can only count the hours for the 31 weeks that Ralph worked at least 30 hours. Alpha's qualifying hours total 992 (32 hours x 31 weeks). This is less than the 1,200 hours required, so Alpha's nonpassive income doesn't qualify for the reduced tax rate.

Example 3: Beta Corp, an S corporation, has three shareholders. Beta Corp has ordinary business income of \$900,000, of which \$300,000 is included in annual

income distributions. It doesn't meet the income distribution requirement, so Beta Corp must meet the employee requirement to qualify for the reduced tax rate.

The business must have at least six employees (two for each owner) who work a combined total of 7,200 qualifying work hours (1,200 hours per employee) during the year.

Seven employees (who aren't shareholders) worked in Oregon for Beta Corp during the year. Three of the employees worked 40 hours per week for 50 weeks, for a total of 6,000 hours ($3 \times 40 \times 50$). Two employees worked 32 hours per week for 30 weeks, for a total of 1,920 hours ($2 \times 32 \times 30$). Two other employees worked 20 hours per week for 40 weeks, for a total of 1,600 hours ($2 \times 20 \times 40$). Together they worked a total of 9,520 hours ($6,000 + 1,920 + 1,600$).

However, only the hours worked by the five employees working 30 or more hours per week count toward the total required hours, and no more than 1,200 hours per employee. The employees worked a total of 5,520 qualifying hours [$(3 \times 1,200) + 1,920$]. For this reason, Beta Corp's nonpassive income doesn't qualify for the reduced tax rate.

Example 4: Charlie, a sole proprietor, had three employees working at his Oregon business during the year. One employee worked 32 hours a week for 20 weeks (total 640 hours) and the other two employees each worked 40 hours per week during the same 20 weeks (total 800 hours each). The hours for each employee qualify because each employee worked at least 30 hours a week. The aggregate number of hours worked by all three employees (2,240 hours) meets the 1,200-hour requirement. Therefore, Charlie's business meets the employee requirement for the reduced tax rate.

Example 5: Delta Inc. is an S corporation with two shareholders and annual ordinary business income of \$800,000. It has three employees, all of whom work 35-hour weeks. The office manager and the two shareholders each work 50 weeks a year, a sales clerk works for 30 weeks a year, and a delivery driver works 20 weeks a year, for a total of 3,500 hours worked by non-owner employees. Annual income distributions to the shareholders include \$150,000 in ordinary business income. With only three employees, Delta Inc. doesn't meet the employee ratio requirement; however, because it distributes less than 25 percent of its ordinary business income to the shareholders each year, Delta's nonpassive income still qualifies for the reduced tax rate.

Amended returns

Amending to elect or revoke. You can't amend to revoke or make the election after your 2025 return is filed unless you file an amended return on or before the original due date of April 15, 2026; or if filing on

extension, before the extension due date of October 15, 2026.

Example 6: Liam filed his original return on March 3, 2026, and didn't elect the qualified business income reduced tax rate. He files an amended return on April 14, 2026, to make the election to use the reduced tax rate. Liam will be allowed the qualified business income reduced tax rate because the amended return was filed before the original due date.

Example 7: Maggie filed her original return with a timely-filed extension on August 19, 2026, and elected the qualified business income reduced tax rate. She files an amended return on October 9, 2026, to revoke the election. Maggie will be allowed to revoke the qualified business income reduced tax rate because the amended return was filed before the extended due date.

Amended Schedule OR-PTE. You must amend Schedule OR-PTE if you elected to use the reduced tax rate and:

- An IRS or other state audit resulted in a change that affects your Oregon return;
- You amended your federal or other state return and the changes you made affect your Oregon return;
- You have an NOL; or
- You need to correct income or deductions you originally reported.

If you amend Schedule OR-PTE after the due date for the return (April 15, 2026, or October 15, 2026, if filing on extension), you must report the tax using the reduced rate on the amended tax worksheet even if the amount of tax using the ordinary tax rate is less. This is because the election to use the reduced tax rate is irrevocable and can't be changed by filing an amended return after the due date for the return.

See the instructions for Schedule OR-PTE-FY, Schedule OR-PTE-NR, or Schedule OR-PTE-PY for additional information.

Farm liquidation long-term capital gain tax rate (ORS 316.045)

If you sold or exchanged capital assets used in farming activities during the tax year, you may be able to apply a reduced tax rate to your net long-term capital gain.

Farming activities include:

- Raising, harvesting, and selling crops.
- Feeding, breeding, managing, or selling: livestock, poultry, fur-bearing animals, or honeybees or the product thereof.
- Dairying and selling of dairy products.
- Stabling or training horses, including providing riding lessons, training clinics, and schooling shows.

- Propagating, cultivating, maintaining, or harvesting: aquatic species, birds, and other animal species.
- Growing and harvesting cultured Christmas trees or certain hardwood timber.
- On-site construction and maintenance of equipment and facilities used in farming activities.
- Preparing, storing, or disposing of products or by-products raised for human or animal use on land employed in farming activities.

Farming activities don't include growing and harvesting trees of a marketable species, other than growing and harvesting cultured Christmas trees or certain hardwood timber.

General rules. The sale or exchange must end all of your ownership interests in a farming business or in property that is used in a farming business. You may not claim the special tax rate on a sale or exchange to a related person under IRC Section 267. A farm dwelling or farm homesite isn't considered to be property used in the trade or business of farming. If you have a net loss from all the assets you sold or exchanged during the year, you don't qualify for the reduced rate on the sale or exchange of your farm assets.

Partnerships or S corporations. The sale of ownership interests in a farming corporation, partnership, or other entity qualifies for the special tax rate. The taxpayer must have had at least a 10 percent ownership interest in the entity before the sale or exchange.

Computing the tax. Use Publication OR-FCG, *Farm Liquidation Long-Term Capital Gain Tax*, to figure your tax using the reduced rate. Download the publication from our website or contact us to order it. Check the box labeled "Worksheet FCG" on your Oregon tax return. Don't include the worksheet with your return; keep it with your tax records.

Farm income averaging (ORS 314.297)

You can figure your Oregon income tax by averaging this year's farm income using your farm income from the previous three (base) years. This may result in less tax if a higher tax rate applies to this year's farm income compared to one or more of the three prior years.

A farming business is the trade or business of cultivating land or raising or harvesting any agricultural or horticultural commodity. Your elected farm income is the amount of your taxable income from farming that you elect to include in the calculation. You don't have to include all of your taxable income from farming. It may be to your advantage to include less than the full amount.

Schedules. Use our farm income averaging (FIA) schedules and instructions to figure your Oregon

income tax. They can be downloaded from our website or ordered by contacting us.

Be sure to mark the FIA box on your return to indicate that you figured your tax by averaging your farm income. Don't include the schedules with your return; keep them with your tax records.

Pass-through entity elective tax (Or Laws 2021, ch 589)

Certain pass-through entities (PTEs) may elect to pay income tax at the entity level and pass along an Oregon tax benefit to its members. The final tax year for making the election is 2025 for PTEs using a calendar year. Only PTEs using a fiscal year that began in 2025 may make the election for their tax year that ends during calendar year 2026.

Electing PTE. An electing PTE must be a partnership, an S corporation, or a limited liability company (LLC) taxed as a partnership or S corporation. All of the PTE's members must be individuals or other PTEs whose members are all individuals. Grantor trusts and single-member LLCs taxed as individuals are treated as individuals for purposes of the PTE-E tax.

Tax rate. The tax is on the sum of the PTE members' shares of distributive proceeds from Oregon sources. An electing PTE pays tax of 9 percent on the first \$250,000 and 9.9 percent on proceeds exceeding \$250,000.

Making the election. The PTE makes the election by filing Form OR-21, *Oregon Pass-through Entity Elective Tax Return*. Form OR-21 can be filed through Revenue Online or electronically through an approved software provider. **Note:** Filing Form OR-21 does not satisfy the PTE's requirement to file an Oregon income or excise tax return.

Tax credit and addition. An individual member of an electing PTE (or a member of a PTE that is a member of an electing PTE) is allowed to claim a refundable tax credit equal to the individual's share of the PTE-E tax paid. A credit may be claimed only on a member's personal income tax return, including a composite return joined by a nonresident member. The individual member must also report an addition for their share of the PTE-E tax that the PTE deducts on its federal return.

Example: Atlas and Daughters, a partnership, has seven partners who are all individuals. The sum of the distributive proceeds from Oregon sources for all of its partners is \$400,000. It elects to file Form OR-21 and pay the PTE-E tax for calendar year 2025. The PTE calculates the tax as follows:

Sum of distributive proceeds	\$400,000
Subtract the first \$250,000	- 250,000
Amount in excess of \$250,000	\$150,000

Tax rate on excess amount (9.9%)	x 0.099
Tax on excess amount	\$14,850
Tax on first \$250,000 at 9% (0.09)	+ 22,500
Total PTE-E tax	\$37,350

On the PTE's federal partnership return, it deducts \$37,350 in state taxes to arrive at the amount of business income distributed to its partners. For Oregon, the PTE will report each partner's share of the \$400,000 in distributive proceeds from Oregon sources, their share of the \$37,350 PTE-E tax that it paid, and their share of the \$37,350 in state taxes that the PTE deducted on its federal return. On their individual returns, each partner will report their distributive share of business income, as reported on the PTE's federal partnership return, in the usual manner. Each partner will claim a credit for their share of the PTE-E tax paid by the PTE and report an addition for their share of the state taxes that the PTE deducted on its federal return.

PTE-E addition and qualified business income reduced tax rate. Individual members who are using the qualified business income reduced tax rate to calculate their Oregon income tax may include the addition amount in their qualified business income, to the extent that the ordinary business income reported on the entity-level federal return qualifies for the reduced tax rate. See "Qualified business income reduced tax rate" for details.

PTE-E tax subtraction. If the electing PTE received a refund of the PTE-E tax that it deducted on its prior-year federal return, your distributive share of the refund will be reported to you as "other income" on Schedule K-1. You may subtract the amount that you include on your federal return from your Oregon income. See "PTE-E tax refunds included on federal return" in "Subtractions" for details.

See Form OR-21 Instructions or our website for more information about the PTE-E tax. Individual PTE members can find information about the tax credit and addition under "Refundable credits" and "Additions."

CPAR tax (ORS 314.733)

Partnerships with income adjustments resulting from a federal CPAR audit may elect to pay an amount in lieu of taxes owed by its partners. The amount is based on adjustments to income from Oregon sources and is calculated using the highest marginal tax rate applicable to corporate or noncorporate partners. See Publication OR-OC, *Oregon Composite Return Instructions for Pass-through Entities*, for instructions for paying the tax.

Interest on certain installment sales (ORS 314.302)

Do you have installment sales for which you had to pay interest on the deferred tax liability for federal purposes? If so, you must also pay interest for Oregon. The interest is reported as an addition to tax on your Oregon return, just as it is on your federal return. The amount due is computed the same way as for federal. The interest rate for 2025 is 9 percent per year, or 0.75 percent (0.0075) per month. The interest rate for 2026 is 8 percent per year, or 0.67 percent (0.0067) per month.

Part-year residents. For the part of the year you were a nonresident, include only those installment obligations that were from dispositions of property in this state.

For the part of the year you were a resident, consider all installment obligations.

Nonresidents. Include only those installment obligations from dispositions of Oregon property.

ABLE account or Oregon higher education savings plan account tax recapture (ORS 315.653)

[Recapture code 950 or 951]

If you claimed a tax credit for contributions made to an ABLE account or an Oregon higher education savings plan account and later made a nonqualified withdrawal of funds from the account, you may have to forfeit your tax credit. A forfeited tax credit is reported as a tax recapture on your return for the year when you made the nonqualified withdrawal. Types of nonqualified withdrawals include:

- Spending the funds for a purpose that is unrelated to the purpose of the account.
- Using 529 savings plan funds to pay tuition or other expenses for elementary or secondary school.

Tax benefit. Before you report a tax recapture, you must find out if you received a tax benefit from the contributed funds that were used for a nonqualified purpose. You received a tax benefit if the contribution made a difference in the amount of credit you received.

Example: Jordan contributed \$500 to a higher education savings plan account for the first time in 2020. Her AGI was \$28,000, so she was allowed a credit for 100 percent of her contributions, up to the \$150 limit for a single filer. She claimed a \$150 credit on her 2020 Oregon return. In 2025, she withdrew \$100 from the account and used it for a nonqualified purpose. To determine her tax benefit from the \$100 she

withdrew, she starts by subtracting it from her total contribution. The remaining contribution equals \$400 (\$500 - \$100). Next, Jordan figures her credit for a \$400 contribution in 2020. She finds that the credit amount would still be \$150. The \$100 contribution that she withdrew for a nonqualified purpose didn't make a difference, so there was no tax benefit from it. Jordan doesn't have to report a tax recapture on her 2025 return.

Due to the fact that Oregon has also offered a subtraction for these contributions for tax years before 2020, figuring your tax benefit could be complex. For a detailed explanation and examples, see OAR 150-315-0065. Keep a statement showing how you calculated the recapture amount with your tax records.

Reporting the recapture. Report the recapture on Schedule OR-ASC, Section C or Schedule OR-ASC-NP, Section F. If the recapture is due to a nonqualified withdrawal of contributions to an ABLE account, use code 950. If the recapture is due to a nonqualified withdrawal of contributions to an Oregon higher education savings plan account, use code 951.

Other individual taxes

Statewide transit tax (STT) (ORS 320.550)

This tax on wages funds public transportation services and improvements within Oregon. It's not reported on your Oregon income tax return.

The tax is equal to one-tenth of one percent (0.1% or 0.001) of the wages received by an employee who is an Oregon resident or a nonresident employee who performs services in Oregon. Oregon employers are required to automatically withhold the STT from

your wages. If you're an Oregon resident who earns wages from an employer outside of Oregon, your employer isn't required to withhold the STT on your behalf, but they may choose to do so voluntarily. If your out-of-state employer doesn't withhold the STT from your wages, you must file Form OR-STI, *Statewide Transit Individual Tax Return*, and pay the tax. If your employer withheld too much STT from your wages because you were working outside Oregon, you must file Form OR-STI to claim a refund.

The due date for your return and payment is the same as the due date for your Oregon income tax return and payment. See Form OR-STI Instructions for more information.

Transit self-employment tax

The department collects self-employment taxes owed to TriMet Transportation District (TriMet) and Lane Transit District (LTD). This tax is on the self-employment earnings of taxpayers doing business or providing services to a location within the transit districts. It is not reported on your personal income tax return. See Publication OR-TRAN-SE, *Oregon Transit Self-employment Taxes*, for more information.

Fiduciary tax

Oregon personal income tax is imposed on the taxable income of estates and trusts, except for trusts taxed as corporations. See Form OR-41 Instructions for more information.

Payments and refunds

Payment options

Payment is due on April 15, 2026, regardless of any extension you may have to file your return. If payment isn't made by the due date, interest and penalties may be charged. See ["Interest and penalties"](#) for more information.

Electronic payments from your checking or savings account

You can pay your prior year income taxes, current year income taxes, and 2026 estimated income taxes directly from your checking or savings account. You also have the option to pay by direct debit when you file your return. There is no fee for this. Visit our website for more information.

Credit card payments

You can pay your current year balance due, make estimated tax payments for 2026, and pay prior year taxes with your Discover, MasterCard, or Visa credit card.

To make an online payment, go to Revenue Online on our website. A convenience fee may be charged for this service. Keep the payment confirmation number for your records.

Payment by check or money order

- Make your check or money order payable to **Oregon Department of Revenue**.
- Write the tax year, the form number or type of payment you're making, and the last four digits of your SSN or ITIN on your check.
- Use blue or black ballpoint pen. Don't use red or purple ink or gel pens.
- Don't send cash or a postdated check.
- If you're mailing a payment with your return, send your payment in the same envelope with your return. **Don't** use a payment voucher.
- If you're mailing a payment separate from your return, include the payment voucher, Form OR-40-V, with your payment. Form OR-40-V is available in our tax booklets and on our website.

Refunds

If the amount of tax you paid is more than the amount of tax due on your return, we will usually refund the amount of your overpayment. A refundable tax credit, such as the earned income credit, will be treated like an overpayment even if you didn't pay any tax.

Time limit for claiming a refund. If you have an overpayment of \$1 or more, you must file to claim your refund

within the time limit allowed by law. See ["Oregon statute of limitations on refunds"](#) for more information.

Refund offset. In some instances, your overpayment won't result in a refund coming to you. If you (or your spouse, if married) owe money to the state for reasons other than this year's tax, or if you owe money to the federal government, your refund may be used to pay the amounts you owe. This is known as an "offset." Some common types of offsets include delinquent tax from prior years, past-due child support, delinquent student loans, and legal judgments. If you have questions about a refund offset, contact us for assistance.

Refund applications. When you file a return showing an overpayment, you may request that some or all of your refund be used to make an estimated payment of next year's tax or applied in other ways. See ["Application of refund"](#) for your options.

Direct deposit. If you will be receiving a refund, you may request it to be deposited directly into your checking or savings account. See ["Direct deposit of refund"](#) for details.

Paper check. A refund that isn't offset, applied to next year's tax or other application, or deposited directly into a bank account will be printed out and mailed to you at the address shown on your return.

- **Direct deposit information is invalid.** If the direct deposit information you provide to us is invalid or if we are unable to complete the deposit for any reason, your refund will be issued to you by paper check instead.
- **Lost refund check.** If your paper refund check is lost, you may request that we reissue it to you. The lost check must be at least 30 days old before it can be reissued. Contact us for assistance.
- **Check returned to the Department of Revenue.** If the address shown on your return isn't your current address, or if the U.S. Postal Service is unable to deliver it for any reason, your paper refund check may be returned to the Department of Revenue. Contact us for assistance with your unclaimed refund.
- **Uncashed paper checks more than two years old.** If you don't cash the paper check within two years from the date it was issued, your refund will be transferred to the Oregon State Treasury and held as "unclaimed property." If you want to claim the refund after it has been transferred, you will have to request it from Treasury. Visit their website at www.oregon.gov/treasury for information.

Refunds owed to a deceased taxpayer. If a taxpayer who was owed a refund has died, the refund may be

claimed by the taxpayer's personal representative, heir, or the trustee of the taxpayer's estate. See Form OR-243 Instructions for more information.

Interest on refunds. Interest may be paid on some types of refunds if we are unable to issue the refund within a certain period of time. Not all types of refunds bear interest. See "How to figure interest on refunds of personal income tax" for interest rate information and examples.

Kicker. The Oregon surplus, known as the "kicker," is available when the state declares that a minimum amount of budget surplus exists for the biennium (the state's two-year budget period). In past years, the kicker was paid to taxpayers as an automatic refund. Now, the kicker is claimed on the return in odd-numbered tax years when a surplus has been declared. See "Oregon surplus" for more information.

Direct deposit of refund

We can deposit your income tax refund directly into an account you designate, such as a checking, savings, or certain type of retirement account.

Requirements for direct deposit:

- The account must have routing and account numbers and be able to accept Automated Clearing House (ACH) payments.
- The final destination for the deposit can't be outside the United States.
- If you are filing a joint return, both you and your spouse must sign the return.

Note: Some accounts may not accept direct deposits. Also, some institutions don't permit the deposit of a joint refund into an individual account.

Contact your financial institution to verify your routing and account numbers and to make sure your deposit will be accepted.

- **Routing numbers** are nine digits and must begin with 01 through 12, 21 through 32, or 61 through 72.
- **Account numbers** can be up to 17 characters, both numbers and letters. Include hyphens, but don't include spaces or special symbols. If your account number is fewer than 17 characters, leave the unused boxes (on your return) blank.

See the sample check diagram for help with identifying these numbers.

Caution: It's your responsibility to make sure your information is correct. These numbers can't be changed after your return is filed, and we can't undo a deposit that was made to the wrong account.

We aren't responsible when an institution rejects a direct deposit. If your direct deposit is rejected, we will issue a check and send it to the mailing address shown on your return.

Application of refund

If your original or amended return shows a refund, you may apply some or all of it to:

- Make an estimated tax payment for a later tax year.
- Donate to a charitable organization.

Direct deposit—necessary numbers

Paul Maple
Deborah Maple
1234 Windy Oaks Drive
Anytown OR 90000

PAY TO THE ORDER OF _____ \$ _____

ANYTOWN BANK
Anytown OR 90000

For _____

Routing number 250250025 **Account number** 202020 88 1234

Do not include the check number

1234
15-0000/0000

DOLLARS

SAMPLE

- Make a deposit to one or more Oregon higher education savings plan accounts.
- Contribute to a political party (Form OR-40 filers only).

Estimated tax payment. If you apply your refund as an estimated tax payment for a later tax year, the payment will be credited to your open estimated tax account as of the date shown in Table 6.

Table 6. Refund applied as estimated tax payment

If you file:	The payment will be credited as of:
An original return on or before the due date, without extension	The date that the first estimated payment of the open tax period is due (usually April 15).
An original return on extension, on or before the extension due date	The later of: <ul style="list-style-type: none"> • The due date for the first estimated payment of the open tax period (usually April 15), or • The date of the payment that resulted in the refund.
An original or amended return: <ul style="list-style-type: none"> • After the due date, without extension; or • On extension, after the extension due date 	The later of: <ul style="list-style-type: none"> • The date the return was filed, or • The date of the payment that resulted in the refund.

You can't revoke your choice to apply your refund as an estimated tax payment unless you file an amended return on or before the original due date of the return, including extensions.

Example 1: Beth made four estimated tax payments for tax year 2025; her last payment was made on January 15, 2026. On September 9, 2026, Beth filed her 2025 return on extension. Beth's return showed a \$500 refund. She chose to have the refund applied as an estimated payment. The \$500 refund will be credited to Beth's 2026 tax account as of April 15, 2026 (the first estimated payment due date for the open tax period).

Example 2: Ray filed his 2024 return on May 13, 2026. Ray overpaid his 2024 tax by \$2,500. He chose to apply \$2,000 of the refund as an estimated tax payment. Because Ray's 2024 return was filed after the due date, the \$2,000 will be applied as an estimated tax payment as of May 13, 2026, the date he filed his return. Ray will claim \$2,000 as an estimated payment when he files his 2026 return.

Two open tax accounts. An estimated tax account is "open" for accepting payments from the first day of the tax year until 15 days after the last day of the tax

year. For most taxpayers, this means they will have two "open" accounts from January 1 through January 15, one account for the later year that opens on January 1, and one account for the earlier year that closes on January 15. If a payment from an applied refund is credited at a time when two accounts are open, the payment will be automatically applied to the later year. If you want your payment to be applied to the earlier year instead, you must contact us in writing before the account for the earlier year closes (usually January 15).

Example 3: Sally filed her 2023 Oregon return in April 2024 with tax to pay. On January 9, 2026, Sally filed an amended 2023 return showing a \$1,500 refund. She elected to apply the refund as an estimated payment. Sally's refund is automatically applied to her 2026 estimated tax account as of January 9, 2026, the date she filed her amended return.

Sally can contact us in writing no later than January 15, 2026, the date that her estimated tax account closes for 2025, and ask that the \$1,500 payment be applied to tax year 2025 instead.

Other refund applications. See your return instructions for details on using your refund to donate to a charitable organization, contribute to the political party of your choice (Form OR-40 filers only), or make a deposit in up to four Oregon higher education savings plan accounts.

Refund processing

How long will it take to get my refund?

Return processing times vary due to many factors, including the complexity of the return. Electronically-filed returns generally process faster. Paper returns must have all supporting documentation included to ensure smooth processing. Paper returns can also take longer as the due date approaches, when the largest number of returns are received.

To check the status of your refund, go to www.oregon.gov/dor, click on "Revenue Online," and click on "Where's my refund?"

Refund delays

Several things might delay processing of your tax return or your refund:

- Failure to respond timely to requests for information. If we send you a letter requesting information to process your return, it's important that you respond by the due date on the letter. Otherwise, we may adjust or invalidate your return. Contact us if you have questions about our letter. You may view most of the letters we send by logging into Revenue Online. **Note:** If we're requesting information about a refundable

credit, replying to our request for information via Revenue Online may enable us to respond faster.

- Change in name. If you have a different name in our records from a previous filing, special handling will be required.
- If you notified us about identity theft, special handling will be required.
- Change in SSN.
- Application for an ITIN.
- Failure to attach proof of Oregon withholding (such as Form W-2 or 1099).
- Failure to attach a copy of your federal return (with Schedules 1, 1-A, 2, and 3, if applicable).
- Failure to include required schedules, such as Schedule OR-A if you're claiming itemized deductions.
- Claiming the WFHDC or manufactured dwelling park closure credit. These refundable tax credit claims are reviewed manually and take additional time to process.
- Failure to identify additions, subtractions, adjustments, modifications, or credits. Numeric codes for identifying these are shown in the **Appendix**.
- Debt to other agencies. If you, or your spouse, owe money to state or federal agencies (for such things as student loans, unpaid parking tickets, or back child support), your refund might be delayed or used to offset your debt.
- Incorrect bank account information. Verify your bank account information for direct deposit refunds. If your bank information is incorrect, we must wait for the bank to return the funds before issuing a refund check.

Injured spouse refund claims [ORS 314.415(7)]

Are you filing a joint return with a spouse who is separately liable for a debt to a state or federal agency? If so, you may request that your joint refund be apportioned. When your return is processed, we will notify you of our intent to apply the joint refund to any debts owed. Within 30 days of the date of our notice, send us your request to apportion the refund.

You may use federal Form 8379, *Injured Spouse Allocation*, and fill in the Oregon refund numbers, or create your own worksheet. Separate your withholding, tax payments, and items of income. Income from jointly held property must be split evenly, including interest earned on joint bank accounts.

You may submit an apportionment request through Revenue Online or mail it to this address:

Attention: Refund Review
Oregon Department of Revenue
955 Center Street NE
Salem OR 97301-2555

Visit www.oregon.gov/dor and search for "injured spouse" information to find answers to common questions.

Oregon statute of limitations on refunds

Oregon law limits the time you have to claim a refund of Oregon tax. The allowable time depends on your circumstances.

Withholding and estimated tax refunds

You must file your original return within three years of the due date to claim a refund of tax withheld or estimated tax payments. The due date doesn't include extensions. If you file more than three years after the due date, the excess tax withheld or estimated tax payments can't be refunded or applied to tax you owe for another year.

Amended returns

If your original return was filed within three years of the due date, you may amend (change) your return and file for a refund of an overpayment of tax by the date which is the latest of:

- Three years from the due date of your original return; or
- Three years from the date you filed your original return; or
- Two years from the date you paid your tax or paid any part of your tax.

If you file your amended return more than three years after the due date, but within two years of the date you paid tax, your refund can't be more than the amount of tax you paid during that two-year period.

Note: If we adjusted items on your return and your right to appeal has expired, you can't use the above rules. **You can't claim a refund for those items.**

Example: Bob filed his 2022 Oregon return and paid \$300 tax due on time. In March 2025, he discovered he had forgotten to report some interest income. He amended his return. He paid \$220 additional tax on April 2, 2025. On August 5, 2026, Bob discovers he failed to claim a large charitable contribution he made in 2022. Bob must amend his 2022 return by April 2, 2027. His refund will be limited to \$220, the additional tax he paid within the last two years.

Federal or other state corrections to tax returns

Sometimes the IRS or another state corrects your return with changes that could affect your Oregon return, resulting in a refund. You must amend your Oregon return to claim a refund within two years of the date of the initial correction, even if the statute of limitations on refunds has expired or you have an appeal pending with the IRS or the other state.

Amended returns

Reasons to file an amended return

- An IRS audit (or other state audit) resulted in a change to your original return that affects your Oregon return.
- You amended your federal (or other state) return and the changes you made affect your Oregon return.
- You made an election on federal Form 4684, *Casualties and Thefts*, to carry back a casualty loss resulting from a federally-declared disaster.
- You are required to recapture a federal education credit for a tax year when you claimed an Oregon tuition and fees subtraction.
- You have a net operating loss (NOL) to carry back, so you need to amend your return for the carry-back year.
- You need to correct the income, deductions, or credits you originally reported.

How do I amend my Oregon return?

You will need the following items:

- The tax form and instruction booklet for the year that you are amending. This will usually be the same form type as your original return, unless you filed the incorrect form for your residency status. Use the correct form type to amend.
- A copy of the Oregon tax return that you originally filed for the year being amended; this will provide the guidance needed for completing your amended return.
- A copy of any previously amended returns you filed for the year being amended.
- A copy of all notices from us, another state, or the IRS for the tax year being amended.

Follow these steps to amend your return:

1. Read through these instructions before filling out your form.
2. Mark the “Amended” box on the return.
3. If we sent you a notice with corrections to your return, use the figures from that notice when amending your return.
4. Use the worksheet for amended returns in the instruction booklet to determine your amended refund or tax to pay. Complete the entire worksheet using the corrected information.
5. If the amended return shows a refund, you can elect to apply it as a payment of estimated tax or make other refund applications, but you can’t change any election you made on your original

return. See “Application of refund” in “Payments and refunds.”

6. Use the “Amended statement” section of the return to explain why you are amending your tax return.
7. Mail or drop off your amended tax return or, if your software allows it, you may file your amended return electronically. Be sure to include a copy of the federal or other state’s **corrected** return or audit report. If you’re amending your Oregon return only, include a copy of your original federal return.

If you don’t have a copy of your original Oregon tax return, you may request a transcript or a copy of the return from us. You can obtain copies of prior years’ returns for a small fee by going to our website, logging into Revenue Online, and selecting “Request Photocopies,” or by requesting copies by mail. You can also request a return transcript for free by sending a message in Revenue Online or by calling us directly.

Mailing address. Use your current mailing address when filing an amended return, even if your current mailing address is different than the one entered on your original return. This will help us to contact you if needed.

Partnership returns. Our website has information for partnerships that need to:

- File an amended Form OR-OC,
- Report audit adjustments made under CPAR, or
- Make tax payments on behalf of partners due to CPAR adjustments.

Also see “Audits and appeals.”

How long do I have to file for a refund?

In most cases, you must file for a refund within three years from the due date of your original return, or the date you filed your original return, whichever is later.

For more information about time limits for filing a return to claim a refund, see “Oregon statute of limitations on refunds.”

When should I file and pay if I owe additional tax?

File your amended return as soon as you know that a change needs to be made. Interest is calculated from the day after the due date of the original return up to the date the tax is paid. Pay any tax and interest due as soon as possible to avoid additional interest. There may also be a penalty.

How do I file a protective claim for refund?

You can file a protective claim for refund when the outcome of a court case or legislative action is expected to be known after the time for requesting a refund has expired. Use Form OR-PCR, *Protective Claim for Refund*, when your claim to a refund is contingent on a pending court decision or legislative action. Notify us every six months on the status of the claim. If the court decision or legislative action changes your Oregon income tax, file an amended return within 90 days of the determination.

How long will it take to process my amended return?

Processing time for amended returns varies. It may take six months or longer to process your amended return.

How do I amend for an NOL?

You may claim a refund from an NOL carryback within three years after the due date (including extensions) of the return that showed the NOL. Mark the "Amended return" box and enter the year of the NOL. See "NOLs for Oregon" in "Other items" for more instructions.

Do I change my federal tax liability subtraction on my amended return?

Usually not, but there are a few exceptions to this general rule.

Change allowed

Changing the federal tax liability subtraction amount on your amended return is allowed only if one of these exceptions applies:

- **Failure to claim on original return.** You qualified for this subtraction on your original Oregon return but failed to claim it. If so, you may claim the subtraction based on your original federal income tax liability or the amount allowed by one of the other exceptions.
- **Correction notice from us.** Did we correct the federal tax subtraction on your original return? If so, **change the amount** on your amended return. Use the corrected amount from our notice.
- **Federal return amended before due date.** Did you amend your federal return before the due date of the original return? If so, **change the amount** on your amended return. The federal tax on your amended federal return filed before the due date is the amount you will use for your amended Oregon return.
- **Different AGI phase-out limit.** Does a different phase-out limit apply to your amended AGI? The amount of federal tax liability you may subtract on your return is limited if your AGI is within a certain range. These ranges and limitation amounts

can be found in Table 9 under "Federal income tax liability" in "Subtractions." If your amended AGI is now within a different range, **change the amount** on your amended return **only if the taxes you are deducting were paid or accrued during the tax year you are amending.** Increase or decrease the subtraction to match the limitation amount that applies to your amended AGI.

Change not allowed

Unless one of the above exceptions applies, you can't change the amount of your federal tax liability on your amended return. However, you might have a subtraction or addition on your return for the year in which you file the amended return.

- **More federal tax paid.** Did you pay additional federal tax because you were audited or filed an amended return after the due date of the original return? If so, **don't** change the amount on your amended return. Claim the additional federal tax as a subtraction on your Oregon return **in the year you paid the additional tax.**
- **Federal tax refund.** Did you get a refund of federal tax because you were audited or filed an amended return after the due date of the original return? If so, **don't** change the amount on your amended return. Show the federal tax refund as an addition on your Oregon return in the year you received the refund, but only if you received a **tax benefit.** See "Federal income tax refunds" in "Additions" for more information about the tax benefit doctrine.

Example 1: Sergei received a notice from us in May and is filling out an amended return in July. The notice stated that his federal tax subtraction was reduced from \$3,500 to \$3,000. He will use the corrected federal tax subtraction of \$3,000 on his amended return.

Example 2: Alicia paid additional federal tax in 2025 for an audit adjustment on her 2022 federal tax return. She will include the adjusted items when she completes her amended 2022 Oregon tax return, but won't change the 2022 federal tax subtraction. Because she paid the additional tax in 2025, she will subtract this amount, up to the annual limit, on her 2025 Oregon return. See "Federal income tax liability" in "Subtractions" for the federal tax subtraction limits.

Example 3: Tonya, a single taxpayer, timely filed her original 2024 return with an AGI of \$138,000. She paid \$35,000 in federal taxes during 2024. Her federal tax subtraction was limited to \$3,300 because of her AGI. In 2025, she amended her 2024 federal return to claim expenses she had left off of her original return. Her amended AGI is now \$133,000. Tonya may change her federal tax liability on her amended return to \$4,950, the amount she could have claimed on her original return, because her limitation amount has changed.

Interest and penalties

Interest

Interest rates are the same for taxes owed and for refunds. Interest is charged and paid on tax only. Interest isn't charged on penalties. We don't charge compound interest. Table 7 shows interest rates since 2018. For previous interest rates, see prior versions of this publication or contact us.

Table 7. Interest percentage rates

Interest as of:	Annual	Daily
January 1, 2018	5%	0.0137%
January 1, 2019	6%	0.0164%
January 1, 2021	4%	0.0110%
January 1, 2023	6%	0.0164%
January 1, 2024	8%	0.0219%
January 1, 2025	9%	0.0247%
January 1, 2026	8%	0.0219%

As of January 1, 2018, interest is figured daily, based on a 365-day year. The annual interest rate is 9 percent for 2025. The annual interest rate is 8 percent for 2026. The interest rate may be changed once per calendar year.

Additional interest of 4 percent per year is charged as described under "Two-tiered interest on deficiencies and delinquencies."

How to figure interest on tax you owe

Your 2025 tax must be paid by April 15, 2026, even if you requested an extension to file your return. Interest starts accruing on April 16 and continues to accrue every day, including the date of your payment.

To figure your interest for 2026, count the number of days starting with April 16, 2026 and ending with the date of your payment. Multiply your unpaid tax by the number of days, then multiply by 0.000219 (the daily rate converted to a decimal). If you're entering the interest amount on your return, round the total to the nearest whole dollar.

Amended return. If you file an amended return, or if your taxable income changed because of a federal or state audit, and you have tax to pay, you will be charged interest starting the day after the due date of the original return until the date of your payment. Calculate interest based on the additional amount of tax you must pay.

Example: Nick filed an amended income tax return for tax year 2024 on March 13, 2026. His original 2024 return was due on April 15, 2025. He paid additional tax of \$500 with his amended return. Here is how Nick figures the interest that he owes:

April 16, 2025 to December 31, 2025
260 days at 0.0247%

$0.000247 \times \$500 \times 260 \text{ days} = \$ 32.11$

January 1, 2026 to March 13, 2026

72 days at a daily rate of 0.0219%

$0.000219 \times \$500 \times 72 \text{ days} = \$ 7.88$

Total interest \$39.99

Two-tiered interest on deficiencies and delinquencies

Additional interest of 4 percent per year will be charged on deficiencies or delinquencies if:

- You have filed a return showing tax due (a self-assessed tax liability) and don't pay the tax due within 60 days after the date of our *Notice of Assessment*, or
- We have assessed an existing deficiency, and you don't pay the assessment within 60 days after the date on the *Notice of Assessment*.

If you appeal to us (or, in a hardship situation, to the Oregon Tax Court) without paying the tax, the increased interest rate will start 61 days after:

- The date of our written objection decision; **or**
- The date of our conference decision letter (CDL); **or**
- The date the Magistrate Division enters its final decision; **or**
- The date the Tax Court or the Oregon Supreme Court enters its final judgment.

How to figure interest on refunds of personal income tax

Generally, interest is paid on refunds issued more than 45 days after the later of:

- The due date of the original return (without extensions), or
- The date you file your original return.

Note: If your refund results from a payment you made after the due date of your return (without extensions), interest will be paid if the refund is issued more than 45 days from the date of that payment.

Example 1: Irina filed her original 2024 income tax return on February 18, 2026, to claim a \$1,900 refund of withheld tax. The return was due on April 15, 2025. We issued the refund on May 11, 2026, more than 45 days after Irina filed the return. The interest on the refund is calculated as follows:

February 19, 2026 to April 4, 2026

45 days, no interest paid

April 5, 2026 to May 11, 2026

$0.000219 \times \$1,900 \times 37 \text{ days} = \$ 15.40$

Example 2: Jean filed her original 2024 return on April 15, 2025. She then filed an amended 2024 return on

February 5, 2026, which shows a \$1,000 refund of estimated tax. Here is how we figure the interest due on Jean's refund, as of the date she filed the amended return:

April 16, 2025 to May 30, 2025
45 days, no interest paid

May 31, 2025 to December 31, 2025
0.000247 x \$1,000 x 215 days = \$ 53.11

January 1, 2026 to February 5, 2026
0.000219 x \$1,000 x 36 days = \$ 7.88

Total interest \$ 60.99

Note: Interest is calculated on the amount that is a refund of tax paid, including any refund amount that you choose to donate by charitable check-off, contribute to a political party, or deposit into an Oregon higher education savings plan account.

Refunds that don't accrue interest. Interest isn't paid on the portion of a refund attributable to the EIC, the Oregon Kids Credit, the AEOTC, or the WFHDC credit. Also, interest doesn't accrue on refunds applied as an estimated payment to a later year's tax. See "Application of refund" in "Payments and refunds." Tax credit auction bid payments that are returned to the bidder don't accrue interest.

Two-tiered interest on refunds

The interest rate will increase if we are unable to issue a refund within 60 days from the date of a Tax Court or Supreme Court judgment. The annual rate will increase by 4 percent beginning 61 days after the date the final judgment is entered.

Penalties

Penalties for filing or paying late

Your 2025 return must be filed by April 15, 2026. If you requested an extension, your return must be filed by October 15, 2026. Your 2025 tax must be paid by April 15, 2026, even if you requested an extension to file your return.

If you're entering a penalty amount on your return, round the total to the nearest whole dollar.

Five percent failure to pay penalty. You must pay a penalty if you don't pay your tax by the original due date of the return, even if you have an extension of time to file. The failure-to-pay penalty is 5 percent of the tax (after all credits, withholding, and payments) that wasn't paid by the original due date.

You won't be charged the 5 percent failure-to-pay penalty if you do **all** of the following:

- File federal Form 4868, *Application for Automatic Extension of Time to File U.S. Individual Income Tax Return*, or send us a payment according to the instructions in Publication OR-40-EXT;
- Pay at least 90 percent of your tax after credits by the original due date;
- File your return within the extension period;
- Pay the balance of tax due when you file your return; and
- Pay the interest on the balance of tax due when you file your return or within 30 days of the date of the bill you receive from us.

If you file with a valid extension but didn't pay 90 percent of your tax by the original due date, you will be charged the 5 percent failure-to-pay penalty.

Twenty percent failure-to-file penalty. You must pay a penalty if you don't file your return within three months after the due date (including extensions). The penalty is 20 percent of the tax (after all credits, withholding, and payments) that wasn't paid by the original due date.

You won't be charged the 20 percent failure-to-file penalty if you:

- File federal Form 4868 (the automatic extension of time to file); or
- Make a payment according to the instructions in Publication OR-40-EXT, **and**
- File the return within three months after the due date (including extensions).

Failure to file and pay. If both penalties apply, your total penalty will be 25 percent of your tax (after all credits, withholding, and payments) that wasn't paid by April 15, 2026.

Example. Emir filed his 2025 return on November 18, 2026. His return was due April 15, 2026, and he didn't have an extension. Emir paid the tax due of \$2,000 with the late-filed return. His penalties total 25 percent of the \$2,000 tax:

Failure-to-pay penalty: 0.05 x \$2,000	\$100
Failure-to-file penalty: 0.20 x \$2,000	<u>\$400</u>
Total penalties: 0.25 x \$2,000	\$500

Note: Emir will also owe interest on the \$2,000 tax.

Additional 25 percent failure-to-file penalty

If you fail to file a return within three months of the due date (including extensions), we may send you a notice with a demand that you file. If you don't file a return within 30 days of the date the demand letter was mailed, we will figure the tax for you and an additional penalty of 25 percent of the unpaid tax will be assessed for a total penalty of 50 percent.

One hundred percent failure-to-file penalty

If you don't file returns for three consecutive years by the due date of the third year's return, including extensions, you must pay a 100 percent failure-to-file penalty on the tax due for each year.

Penalty for intent to evade tax

Filing a falsely prepared return with the intent to avoid tax will result in a penalty equal to 100 percent of the tax deficiency determined by the Department of Revenue. In addition, you could be charged with tax evasion, a class C felony. You could be fined up to \$125,000, serve a jail sentence, or both.

Total penalties

The total of these penalties can't be more than 100 percent of the tax due. **Exceptions:** Penalties for substantial understatement of net tax, filing a frivolous return, falsely claiming the WFHDC credit, making a nonqualified withdrawal from a first-time home buyer savings account, and abusive tax avoidance transactions may be imposed in addition to other penalties.

Substantial understatement of net tax penalty

If we determine that you have substantially understated your net tax on your return, you must pay a penalty equal to 20 percent of the understated tax. A penalty will be assessed if net tax for 2025 has been understated by more than \$3,100 (\$4,550 for a C corporation). Substantially understated net tax also includes net tax on income attributable to an abusive tax shelter, even if fully disclosed.

This penalty is in addition to all other penalties provided by law.

\$250 frivolous return penalty

If you file a frivolous return that is meant to deliberately delay or block the administration of tax laws, you must pay a \$250 penalty. "Frivolous" includes, but isn't limited to:

- An argument, without any good basis, that there has been a violation of your constitutional rights.
- Reliance on a "gold standard" or "war tax" deduction.
- An argument that wages or salary aren't taxable income.
- An argument that the 16th Amendment to the U.S. Constitution wasn't properly adopted.
- An argument that "unenfranchised, sovereign, free-men, or natural persons" aren't subject to tax laws.

This penalty is in addition to all other penalties provided by law.

Working family household and dependent care (WFHDC) credit false claim penalty

You may be charged a penalty if you knowingly falsely claim (or knowingly assist someone else in falsely

claiming) the WFHDC credit. The penalty is up to 25 percent of the amount claimed, and is in addition to the adjustment or denial of the credit. This penalty can be charged to each person involved with the false claim.

This penalty is in addition to all other penalties provided by law.

First-time home buyer savings account (FTHBSA) penalty for nonqualified withdrawal

A penalty of 5 percent of the funds withdrawn from your FTHBSA may be imposed if you withdraw the funds from the account for a purpose other than purchasing a home.

No penalty will be imposed if:

- The account holder:
 - Dies.
 - Files bankruptcy.
 - Becomes permanently unable to regularly perform work at a gainful and suitable occupation due to loss of any bodily function.
- The funds are withdrawn more than 10 years after the account was opened.

This penalty is in addition to all other penalties provided by law. Withdrawn funds that are subject to this penalty also must be added back to Oregon income. See [this topic](#) in "Additions."

Abusive tax avoidance transaction (ATAT) penalties

Penalties can be imposed on income items identified by the IRS as ATATs, including listed transactions, reportable transactions, and promotion of tax shelters, as follows:

- A penalty of 60 percent of the understated net income from a listed transaction understatement. This penalty is in addition to and not in lieu of any other penalties.
- Failure to report a reportable transaction will result in a penalty of \$3,300 for an individual taxpayer or \$16,700 for a corporation.
- If the reportable transaction is also a listed transaction, the penalty is \$33,000 for an individual taxpayer and \$66,000 for a corporation.
- A promoter of tax shelters will be assessed a penalty of 100 percent of the gross income derived from promoting the shelter. This penalty is in addition to and not in lieu of any other penalties.

The ATAT penalties are in addition to all other penalties provided by law. In addition to these penalties, if we find there is a deficiency in tax paid as a result of the use of a listed transaction reported or reflected by the return, the statute of limitations for issuing a notice of that deficiency is increased from three years to nine years from the date the return was filed.

Audits and appeals

What to do if your return is audited

General information

We audit returns for several reasons. Many audits are based on adjustments made by the IRS, with whom we share information. Other returns are selected because there are sections of tax law that require additional focus due to difficulties or frequent errors in tax law application.

An audit is the process of reviewing a return to make sure it was prepared correctly. If your return is chosen for an audit, it doesn't mean you made an error or are dishonest.

By law, we must keep your tax information private. In rare situations involving returns filed after December 31, 2017, we may share information between taxpayers who have claimed the same item on their individual returns in order to efficiently resolve the matter—for example, divorced taxpayers who both claim an exemption credit for the same dependent. Otherwise, we are prohibited from sharing your information with anyone without your consent. People who prepare your return or represent you must also keep your information confidential. You have the right to know why we are asking for information, exactly how we will use any information you provide, and what might happen if you don't provide the information.

Our goal is to treat taxpayers fairly. We strive to be responsive to the issues and reasonable in our decisions and actions. We will explain any changes we make to your return. We encourage you to ask about anything you don't understand.

For more information, read our publication *Your Rights as an Oregon Taxpayer*. You can find the publication at www.oregon.gov/dor/forms or contact us to order a copy.

Types of reviews

Processing adjustments. Processing adjustments are corrections we make to a return while we process it. We make some adjustments without the need for additional information, such as math errors. If we need additional information, we'll send a letter. It's important that we get a response by the date specified in the letter.

Federal audits. These audits are based on information from the IRS. This information includes their CP2000 program and federal *Revenue Agent Reports*. The CP2000 program matches Form W-2 and 1099 information reported by payers to what is shown on a return. A *Revenue Agent Report* is a federal audit

report showing adjustments the IRS made to a return. If you received either of these reports from the IRS, you need to determine if the changes made by the IRS affect your Oregon return. If they do, you should amend your Oregon return as soon as possible. Interest charges accrue until all tax is paid. If you don't amend your Oregon return, you may receive a notice from us showing adjustments we have made to your return.

Correspondence audits. These are written requests asking you to confirm items on a return. The letter will explain what items we are reviewing and what we need to verify them. You will be asked to send copies of the documents to the auditor who will review the information and notify you of the results. Correspondence audits usually don't require a meeting with the auditor.

Field audits. These audits are more in-depth and typically involve a review of business income and expenses. Field audits usually require a meeting with the auditor. The time and place of the meeting will be arranged between you and the auditor.

Partnership audits. The IRS makes audit adjustments and collects taxes at the partnership level for partnerships subject to CPAR, IRC Sections 6225 to 6227. Oregon's CPAR provisions can be found in ORS 314.731 to 314.739. If an IRS audit under CPAR results in adjustments that affect any partner's Oregon tax, the partnership must follow certain procedures and timelines for reporting the adjustments to Oregon. The partnership may elect to pay an amount in lieu of tax owed by the partners resulting from the adjustments. See Publication OR-OC or visit our website for more information.

What records will I need for the audit?

You'll get a letter from us asking questions and requesting copies of specific documents. Answer the questions completely and send copies of the requested documents by the deadline in the letter. It's important that you have a complete copy of your state and federal tax records and provide copies, as requested. See "Record-keeping requirements" in "General information" for additional tips. You should also keep a copy of your response to the audit letter.

If you get a letter asking you to make an appointment, contact the auditor who sent the letter. We try to schedule audit appointments at your convenience. It may be held at the business location, at your representative's office, or at one of our field offices.

The letter will explain the records needed for the audit. Organize the information for the appointment.

The auditor may ask you to make copies of the records.

Generally, your return is examined in the district where you live. If your return can be examined more quickly and easily in another district (such as where the books and records are located), you may ask to have the audit transferred.

Who can represent me?

Throughout any audit, you can represent yourself, have someone accompany you, or designate someone to represent you. You may represent yourself in all stages of your audit and appeal. However, if your case is hard to understand or involves many issues, you may want someone to help you. Also, if someone else prepared the return, you may want their help. You may authorize someone to receive your confidential information (tax information authorization), or you may designate someone to represent you (power of attorney for representation) who would be able to make decisions for you. People who can represent you are Oregon-licensed:

- Lawyers.
- Public accountants or certified public accountants.
- Tax consultants.
- Enrolled agents.

Out-of-state CPAs may practice in Oregon if they meet the substantial equivalency requirements (ORS 673.010):

1. Licensed in another state; and
2. Have an accredited baccalaureate degree with at least 150 semester hours; and
3. Passed the Uniform CPA exam; **and**
4. Have a minimum of one year of experience.

If you own a business and have an employee who regularly does your tax work, that employee can also represent you.

You must give written authorization to a person you want to represent you. Use Form OR-AUTH-REP to authorize a representative. The auditor handling the case can provide a copy of this form, or you can download it from our website or call us to order a copy.

What if I disagree with the audit results?

When we propose changes to your return, we will explain the reasons for them. It's important that you understand why we propose changes before they become final. Ask about anything that is unclear to you.

If you disagree with the final changes, you can appeal. Appeal rights will be included with the notice you receive.

What if the IRS or another state has audited my return?

We have an agreement with the IRS to exchange tax return information. If the IRS audits an Oregon taxpayer's return, we may receive a copy of that information. If your federal return or the return you filed with another state is adjusted, you should amend your Oregon tax return if that adjustment also affects your Oregon return.

If your return was previously audited by the IRS and the notice you receive from us has a different adjustment, send a copy of the final audit adjustments or cancellation from the IRS to us.

If you filed an appeal with the IRS or the other state and you get a notice from us, send a copy of the IRS or other state appeal notification. We will suspend further action until your IRS or other state case is resolved.

You have two years from the date of the initial correction to claim a refund of Oregon tax as a result of the audit adjustment. See **"Oregon statute of limitations on refunds"** in **"Payments and refunds"** for more information.

Appeals

If you disagree with an action we've taken, you have the right to appeal. Follow the appeal procedures outlined here if you have a disagreement with:

- A *Notice of Deficiency* or *Notice of Proposed Refund Adjustment*.
- Our notice based on a federal audit report or an audit by another state.
- Penalties or interest charges shown on our notice.
- Interest charged on underpayment of estimated tax.
- A *Notice of Assessment*.

You may be able to resolve certain issues without a formal appeal process. Contact us if your disagreement concerns:

- The date or amount of payments made to your account.
- A withholding adjustment.

Appealing a *Notice of Deficiency* or *Notice of Proposed Refund Adjustment* within 30 days

If you disagree with a *Notice of Deficiency* or a *Notice of Proposed Refund Adjustment*, **you may submit an appeal online by logging in to Revenue Online within 30 days and following the instructions on your notice.** Or, you may submit an appeal in writing within 30 days from the date on our notice.

To make your appeal, choose just one of these two options: written objection or conference request.

Written objection. Write to us explaining why you disagree with the *Notice of Deficiency* or *Notice of Proposed Refund Adjustment*. Include any new information you have. We will review your explanation, try to resolve the matter, and send you a written decision. If an auditor adjusted your return, that auditor will review your explanation, along with any information you provide, and send you a written decision.

Conference. Request a conference by sending us an explanation of why you disagree with our *Notice of Deficiency* or *Notice of Proposed Refund Adjustment*. Include any new information you have. Be sure to indicate that you are requesting a conference. A conference officer will discuss the matter with you or with someone you choose to represent you, usually by phone. The conference officer will send you a written decision. You may choose to receive the decision by either regular or certified mail.

If you disagree with our decision, you may continue your appeal and will receive new appeal instructions.

Appealing a Notice of Proposed Refund Adjustment after 30 days have passed

If you don't send us a written objection or conference request, but you still want to appeal a *Notice of Proposed Refund Adjustment*, you must file a complaint with the Magistrate Division of the Oregon Tax Court no later than 120 days from the date of the notice. If you don't file a complaint within 120 days, your appeal rights will expire and the adjustment can't be changed.

See **"Appealing to the Oregon Tax Court"** for more information.

Appealing a deficiency based on federal audit reports or audit reports of other states

Do you have an appeal in progress with the IRS or another state? If so, you may have extra time to file an appeal with the Magistrate Division of the Oregon Tax Court. To see if the appeal rights apply to you, answer the following questions:

1. Did you receive an Oregon notice of a deficiency on the same item billed by the IRS or another state?
2. Did you file a timely appeal with the IRS or another state?

If you answered "no" to either question, use the appeal procedures included with your Oregon notice. If you answered "yes" to both questions, you need to send us proof of your appeal to the IRS or other state. This should include a copy of the notice from the

IRS or other state, plus a copy of your written appeal request.

The time allowed for filing your proof of federal or other state's appeal varies:

- Did you receive a *Notice of Deficiency* from us? If so, send us proof of your IRS or other state appeal within 30 days of the date on the *Notice of Deficiency*. Your account will be assessed without penalty and held until the appeal with the IRS or other state is resolved.
- Did you receive a *Notice of Assessment* from us before sending us proof of the appeal? If so, send us proof of your IRS or other state appeal as soon as possible. After you file proof of your appeal, we will delay any further action on your account until the appeal process is completed.

Note: Interest will continue to accrue on any unpaid tax.

You must notify us within 30 days of the final resolution of your appeal with the IRS or the other state. We will review the information and determine whether any adjustments need to be made to your Oregon tax return. You will receive written notification of our determination. If you disagree with our determination, you may appeal within 90 days to the Magistrate Division of the Oregon Tax Court. Your complete appeal rights will be explained with the written determination.

Appealing penalty or interest

Do you believe there is reasonable cause for a reduction of penalties or interest? If so, you may ask for a waiver or reduction of part or all of the penalty and interest charges. However, we generally won't waive interest charges.

Waiver criteria are outlined in Oregon Administrative Rule (OAR) 150-305-0068. You must explain how your situation meets any of the criteria. We will review your waiver request and let you know our decision in writing. You'll receive further appeal instructions to follow if you disagree with the decision.

How to start the appeal process

All appeals must be submitted through Revenue Online or sent to us in writing. If you are sending us a written appeal, you may submit it by regular mail, fax, or email.

Your written appeal must include:

- Your full name.
- Your current mailing address.
- Your SSN or ITIN.
- The tax year(s) involved.
- A detailed explanation of why you are appealing.

- Proof of your IRS or other state appeal, if applicable.
- The waiver criteria if you are requesting a reduction of penalty or interest (OAR 150-305-0068).
- Any new information you want us to consider; and
- A daytime phone number.

Be sure to indicate whether you are making a written objection, requesting a conference, or requesting a waiver or reduction of penalties or interest. Keep us informed of any changes to your address or phone.

Regular mail. Send your written appeal to:

Oregon Department of Revenue
PO Box 14725
Salem OR 97309-5018

Email. If you are appealing a determination made by an auditor, you may send a written objection or request for a conference to that auditor by email. You should note, however, that we are unable to guarantee the security of any information sent to us by email.

Fax. You may fax your written appeal to 503-945-8738.

Revenue Online. You may submit your appeal using your Revenue Online account. After logging in, simply click on the link for your personal income tax account, then select the “Appeals” link and follow the instructions. Be sure that the type of appeal you select is the one you intend to choose. Go to our website for more information about setting up your Revenue Online account.

Appealing to the Oregon Tax Court

If you disagree with a *Notice of Assessment* or a written determination following your written objection or conference, you have the right to appeal. You must appeal to the Magistrate Division of the Oregon Tax Court **within 90 days** of the date of the *Notice of Assessment* or our written determination. Complaint forms for appealing to the Magistrate Division are available from the Tax Court’s website, www.courts.oregon.gov/courts/tax, or you may contact the Oregon Tax Court by mail or phone:

Oregon Tax Court
Magistrate Division
1163 State Street
Salem OR 97301-2563
503-986-5650
TTY 503-986-5651

Mail the signed complaint form along with the filing fee and a copy of the *Notice of Assessment* or other written determination to the above address.

Note: You can’t appeal tax that you said you owed when you filed your return.

Further appeal rights

Tax paid in full. If you pay the tax due in the *Notice of Deficiency* in full, your deficiency is considered to be assessed either on the date of your payment or 30 days from the date of the notice, whichever is later.

If you don’t file a timely appeal, **you have two years from the date your liability is paid in full to appeal** the assessment. Appeal to the Magistrate Division of the Oregon Tax Court as outlined above.

Doubtful liability. In certain situations, we may consider your case even if you didn’t file a timely appeal. Visit our website or contact us to see if you meet the conditions for “doubtful liability” relief.

Interest charges

Appealing a deficiency or an assessment won’t stop interest from accruing on the taxes owed. Interest is computed from the day after the due date of the original return, without extensions, to the date of payment. Interest is charged even if you have a valid extension. If your appeal results in a reduction of the tax due, the interest charges will also be reduced.

Paying your taxes during the appeal

You may pay your balance due at any step of the appeal process. Payment doesn’t mean you agree with the notice, but it does stop interest from accruing on your liability.

If you don’t pay before the tax is assessed, a 5 percent failure-to-pay penalty will be added to your balance due. If your appeal is successful, you will receive a refund of any overpayment, including interest.

See “Payments and refunds” for payment options, and “Interest and penalties” for more information about the failure-to-pay penalty.

Failure to file an Oregon income tax return

For information about penalties for failing to file an Oregon income tax return, see [“Penalties.”](#)

Filing a return after tax is assessed

When you don’t file a tax return but were required to file, we will “assess” your tax. This means we compute how much tax you owe based on information we have available. You will then receive a *Notice of Assessment*.

Even if we have assessed your tax for one or more years, you may still file returns for those years.

Why you should file

We compute your tax assessment using the information available to us about your income, filing status, exemptions, and withholding or estimated tax payments.

Because we don’t have all your tax information, we may not be able to give you all the deductions or credits you may be entitled to. Once you file a tax return, we may be able to change the tax we assessed.

You may receive a refund

If your withholding and/or estimated tax payments add up to more than the tax due, we may be able to refund the excess to you. However, there are time limits. If you paid more tax than you should have, a refund will be allowed only if you file your return within three years of the due date of the original return, not including extensions.

For example:

- The return for 2022 was due on April 18, 2023. Three years after that date is April 18, 2026. To receive a refund of excess tax payments for 2022, your return must be postmarked by April 18, 2026.
- The return for 2023 was due April 15, 2024. Three years after that date is April 15, 2027. To receive a refund of excess tax payments for 2023, your return must be postmarked by April 15, 2027.

Where to mail your return after tax is assessed

Send paper returns, with a copy of your federal return (including Schedules 1 through 3, if applicable) to:

Oregon Department of Revenue
PO Box 14600
Salem OR 97309-5049

Reviewing your return

After reviewing your return, if we agree with the tax you show, we will change the tax assessed. If the income, deductions, credits, or payments shown on your return don’t match our information, we will notify you. The notice we send will explain our adjustments and what to do if you disagree.

Your return must include information about filing status, exemptions, income, deductions, credits, tax, and payments. It must be signed and include a statement that, to the best of your knowledge and belief, it’s true, correct, and complete. The full statement is printed on the forms provided by us and appears directly above the signature lines. If you change this statement on the form, your return may not be accepted. Your return also may not be accepted if:

- It contains a frivolous argument concerning the payment of taxes; or
- You file a return you know isn’t true or correct.

You will receive a *Notice of Rejection* if your return isn’t accepted. This notice can be appealed to the Magistrate Division of the Oregon Tax Court **within 90 days** of the date of the notice, but only if your return was sent to us **within 90 days** of the date on the *Notice of Assessment*.

Appealing the Notice of Assessment to the Oregon Tax Court

You may also choose to file an appeal with the Magistrate Division of the Oregon Tax Court. Your appeal must be made within 90 days of the date of the *Notice of Assessment* or within two years after the tax, penalty, and interest shown on the notice is paid in full. If you file an appeal with the Magistrate Division, you will usually be required to file a tax return before the court will change our assessment.

You can get a complaint form for filing an appeal at:

Oregon Tax Court
Magistrate Division
1163 State Street
Salem OR 97301-2563
503-986-5650
TTY 503-986-5651
www.courts.oregon.gov/courts/tax

Within 90 days of the date on your notice, mail the following items to the address above:

- Your completed and signed complaint form.
- Your filing fee, and
- A copy of the *Notice of Assessment*.

Appealing doesn't stop interest from being charged on the tax you owe. If you appeal and your tax assessment is reduced, the penalty and interest charges will also be reduced.

Paying your taxes during the appeal process

You can pay your balance due at any step of the appeal process. Payment doesn't mean you agree with the assessment, but it does stop interest from accruing on the assessed tax. If you pay, you can still appeal any time within two years of the date you pay the tax, penalty, and interest shown on the *Notice of Assessment*. See "Payments and refunds" for payment options.

Requesting a waiver of penalty or interest

You can ask for a discretionary waiver of part or all of the penalty and interest charges (OAR 150-305-0066, 150-305-0068). We can resolve most penalty and interest charge disagreements. For more information about requesting a discretionary waiver, see "Appealing penalty or interest" in "Audits and appeals."

If you believe part or all of the penalty and interest charges should be adjusted, write to:

Oregon Department Revenue
PO Box 14725
Salem OR 97309-5018

Income

What income is taxable to Oregon?

Full-year residents (Form OR-40). You are taxed on income from all sources.

Part-year residents (Form OR-40-P). You are taxed on income from all sources earned or received **while an Oregon resident**. For the period of time you were not an Oregon resident, Oregon taxes only certain income **from Oregon sources**.

Nonresidents (Form OR-40-N). You are taxed on income from Oregon sources. This includes income shown on your federal return from Oregon wages or Oregon fees or for services performed in Oregon. Other income from Oregon sources includes:

- Businesses, S corporations, partnerships, and limited liability companies taxed as partnerships located or doing business in Oregon, and in some cases, work that is performed in another state for Oregon customers.
- Unemployment insurance benefits received because of an Oregon job.
- Severance pay you received because of an Oregon job.
- Oregon farms.
- Oregon estates and trusts.
- Sales of Oregon property.
- Rents and royalties for use of Oregon property.
- Wages for services performed in Oregon by employees who also telecommute from outside the state.

Note: Community property income. Oregon isn't a community property state. If you're a resident of Oregon and your spouse is a resident of a state with community property laws, you may be taxed on part of your spouse's income. Community property laws in the state where your spouse lives determine if you are taxed on any of your spouse's income. See **"Filing status"** for more information about community property.

Air carrier employees (OAR 150-316-0173)

Nonresidents. You are exempt from Oregon tax on wages earned while working on aircraft in Oregon, if you meet **all** of the following qualifications:

- You are a nonresident of Oregon; and
- You perform regularly assigned duties on aircraft in Oregon and at least one other state as an employee of an air carrier; and
- Your scheduled flight time in Oregon is 50 percent or less of your total scheduled flight time during the calendar year.

Additionally, the air carrier you work for must provide:

- Interstate or foreign air transportation of passengers or property by aircraft as a common carrier for compensation; or
- Interstate or foreign transportation of mail by aircraft.

If you are a federal, state, or local government employee, you may not exclude your income under this section. (U.S. Postal Service employees are considered employees of the federal government.)

If you meet all of these qualifications, file Form OR-40-N and mark the "Employment exception" box on the return. [For more information about the "Employment exception" box, see **"Interstate transportation wages (Amtrak Act)."**] Show that your income is exempt by excluding it from the Oregon column.

Example 1: Chantell is a nonresident who works as a pilot for an Oregon-based corporation, transporting the corporation's executives to various job locations in the United States. Chantell isn't exempt from Oregon tax because she doesn't work for an air carrier that provides air transportation for compensation. Her wages are subject to Oregon tax to the extent services are performed in Oregon.

Example 2: George is a nonresident who works as an office manager for an air carrier. Each calendar year, he works as a substitute pilot outside of Oregon in order to log the minimum amount of flight time required to retain his pilot's license. George doesn't qualify as exempt from Oregon tax because his "regularly assigned duties" aren't on an aircraft, but as a manager in an office.

Example 3: Allison is a nonresident and works as a flight attendant for Delta Airlines. She regularly works on flights in California, Oregon, and Washington. Her scheduled flight time in Oregon amounts to 35 percent of her total scheduled flight time this year. Because Allison meets the qualifications mentioned above, she can exclude, from the Oregon column, all of her wages from Delta Airlines on her Oregon nonresident return.

Oregon withholding. To stop withholding of Oregon income tax from your exempt wages, use Form OR-W-4. Follow the instructions to declare that your wages are exempt using the appropriate code. Give Form OR-W-4 to your employer, and submit a new form by February 15 of each year that you're claiming the exemption.

Alimony received

Oregon only taxes alimony payments received that must be included on your federal return.

Full-year residents. Oregon taxes all alimony you received during the year that is included on your federal return.

Part-year residents. Oregon taxes any alimony you received for the part of the year you were a resident of Oregon that is included on your federal return.

Nonresidents. Oregon doesn't tax any alimony you received while a nonresident of Oregon.

Business income or loss

Full-year residents. Oregon taxes all of your business income (or allows your business loss) received during the year.

Part-year residents. Oregon taxes all of your business income (or allows your business loss) while you're an Oregon resident. Oregon also taxes income (or allows losses) from an Oregon business while a nonresident.

Nonresidents. Oregon taxes your income (or allows your business loss) from an Oregon business. This includes apportioned business income and allocated nonbusiness income from sole proprietorships.

Federal Schedule E and F income

Full-year residents. Oregon taxes the income reported on federal Schedules E and F, including rent, royalty, Real Estate Mortgage Investment Conduits (REMIC), Real Estate Investment Trust (REIT), partnership, S corporation, estate, trust, and farm income.

Part-year residents. Oregon taxes the income reported on federal Schedules E and F that you received while you were an Oregon resident. Oregon also taxes this income if you received or earned it from Oregon sources while a nonresident.

Nonresidents. Oregon taxes the income reported on federal Schedules E and F that you received or earned from Oregon sources.

Federally excluded income (ORS 316.048)

Oregon doesn't tax amounts that are excluded from federal gross income unless the Oregon legislature has created a specific addition for that type of income. Some common items that do not need to be added to your Oregon taxable income if you are excluding them from your federal gross income are:

- Difficulty of care payments (also called Medicaid waiver or Notice 2014-7 payments).
- Disaster relief payments.
- Discharged debt under IRC Section 108(a).

See "Additions" for more information on items that do need to be added to your Oregon taxable income.

Gain, loss, and distributions

Capital gain, loss, and distributions

Full-year residents. Oregon taxes your gain or distribution received (or allows losses you incurred) during the year. Limit net losses to \$3,000 (\$1,500 if your filing status is married filing separately).

Part-year residents. Oregon taxes your gain or distribution received (or allows losses you incurred) while you were an Oregon resident. Oregon also taxes gain or distributions received (or allows losses you incurred) from Oregon sources while a nonresident. Limit net losses to \$3,000 (\$1,500 if your filing status is married filing separately).

Nonresidents. Oregon taxes your gain or distribution (or allows your loss) from Oregon sources. Limit net losses to \$3,000 (\$1,500 if your filing status is married filing separately).

Note: See "Capital loss carryover difference" under "Additions" for information about an addition to Oregon income for capital losses carried over from last year's return under certain unusual circumstances.

Other gain or loss

Full-year residents. Oregon taxes your gain (or allows your loss) received during the year.

Part-year residents. Oregon taxes your gain (or allows your loss) while an Oregon resident. Oregon also taxes the amount from Oregon sources while a nonresident.

Nonresidents. Oregon taxes your gain (or allows your loss) from Oregon sources.

Global intangible low-taxed income (GILTI)

This category of foreign income is included as "other income" on the federal return. It must be reported as income when it's deemed received, even if it isn't actually received by the taxpayer during the tax year.

Full-year residents. This income flows through to your Oregon return.

Part-year residents. Report this income in the Oregon column if you were an Oregon resident on the date you received it (actual or deemed receipt) or if it's from property employed in a business, trade, profession, or occupation carried on in Oregon while a nonresident.

Nonresidents. Report this income in the Oregon column if it's from property employed in a business, trade, profession, or occupation carried on in Oregon.

Hydroelectric dam workers [ORS 316.127(8)]

Full-year residents. Oregon taxes all of your wages earned while working on the McNary, John Day, The Dalles, or Bonneville dams.

Part-year residents. Oregon taxes all the income you earned during the part of the year you were an Oregon resident. For the part of the year you were a nonresident, the wages you earned while working on any of the listed dams are exempt from Oregon tax. Mark the “Employment exception” box on your return and include only the wages you earned while working on any of the listed dams while you were an Oregon resident.

Nonresidents. You are exempt from Oregon tax on wages earned while working on any of the listed dams. Mark the “Employment exception” box on Form OR-40-N, and exclude these wages from your Oregon income. If you have any other income from Oregon sources, you must show that income in the Oregon column.

Oregon withholding. To stop withholding of Oregon income tax from your exempt wages, use Form OR-W-4. Follow the instructions to declare that your wages are exempt using the appropriate code. Give Form OR-W-4 to your employer, and submit a new form by February 15 of each year that you’re claiming the exemption.

Individual Retirement Account (IRA) distributions

Full-year residents. Oregon taxes any taxable IRA distribution you received during the year and any amounts reported in federal income that you converted from a traditional IRA into a Roth IRA.

Part-year residents. Oregon taxes any taxable IRA distribution you received while you were an Oregon resident. Oregon also taxes income amounts from IRA conversions if you were an Oregon resident at the time of the conversion.

Nonresidents. Oregon doesn’t tax any amount unless you are a nonresident domiciled in Oregon. If you are domiciled in Oregon but otherwise taxed as a nonresident, your Oregon-source IRA will still be taxed by Oregon. See “Retirement income.”

Interest and dividend income

Interest

Generally, interest income is only taxed by your state of residence. It includes any interest received or credited to your account that you could withdraw and any interest you received on tax refunds.

See the following exceptions:

- Interest and dividends on government bonds of other states.
- Interest and dividends on U.S. bonds and notes.

Full-year residents. Oregon taxes the interest income you received and reported on your federal return.

Part-year residents. Oregon taxes the interest income you received while you were an Oregon resident. Oregon also taxes Oregon business activity interest income received while a nonresident.

Nonresidents. Oregon taxes the interest income you received on funds used for business activity in Oregon. Oregon doesn’t tax interest received on installment sales.

Dividends

Generally, dividend income is only taxed by your state of residence. Include the stock dividends you received under a public utility dividend reinvestment plan in Oregon income.

Full-year residents. Oregon taxes the dividends you received during the year.

Part-year residents. Oregon taxes all dividends you received while an Oregon resident that are included on your federal return. Oregon also taxes any dividends passed through to you during the part of the year you were a nonresident from an S corporation or partnership that has no business activity outside Oregon.

Nonresidents. Oregon taxes dividends passed through to you from an S corporation or partnership that has no business activity outside Oregon. These are dividends your S corporation or partnership received on the stock of another corporation.

Interstate transportation wages (Amtrak Act) (OAR 150-316-0173)

Nonresidents. Are you a nonresident of Oregon with regularly assigned duties in Oregon and at least one other state? If you meet certain qualifications (listed below), Oregon won’t tax you on these wages. Mark the “Employment exception” box on Form OR-40-N, and exclude these wages from your Oregon income.

State income tax provisions in the federal Amtrak Reauthorization and Improvement Act of 1990, Public Law 101-322, can be found in 49 U.S.C. Sections 11502 and 14503. These provisions, which we refer to as the “Amtrak Act,” prohibit states and local governments from taxing compensation of certain nonresident employees who have regularly assigned duties in more than one state.

If you are a federal, state, or local government employee, you may not exclude your income under these federal laws. (U.S. Postal Service employees are considered employees of the federal government.)

Who qualifies?

To qualify, you must work for:

- An interstate railroad; or
- An interstate motor carrier; or
- An interstate motor private carrier.

In addition, you must:

- Be a nonresident of Oregon; and
- Have regularly assigned duties in more than one state (that is, you perform duties in each state on a regular basis; duties you perform on an “on-call” or “as-needed” basis or on a sporadic or intermittent basis during the year aren’t considered “regularly assigned”); and
- Be subject to the jurisdiction of the U.S. Secretary of Transportation; and
- Not be covered under the overtime requirements of the Fair Labor Standards Act.

Note: You may receive overtime payment at the discretion of your employer and be subject to the jurisdiction of the U.S. Secretary of Transportation. Refer to your employer to determine if you are subject to the jurisdiction of the U.S. Secretary of Transportation or to the Fair Labor Standards Act. You can’t be subject to both.

For employees of interstate motor carriers or motor private carriers, you must meet both of the following requirements:

- Perform work that directly affects the safety of a commercial motor vehicle. This means you are required by your regularly assigned routine and duties to work directly with a commercial motor vehicle or its contents. The duties must be direct and hands-on, requiring you to physically move, touch, or affect the vehicle or its contents. Supervisory, managerial, consulting, or other duties that indirectly affect the safety of a motor vehicle don’t meet the definition of “directly affects.”
- Work as:
 - An operator of a commercial motor vehicle;
 - A mechanic;
 - A freight handler; or

- Someone, other than an employer, who directly affects the safety of a motor vehicle.

A commercial motor vehicle is any self-propelled or towed vehicle used on highways in interstate commerce to transport passengers or property if such vehicle:

- Has a gross vehicle weight rating of more than 10,000 pounds; or
- Is designed or used to transport passengers for compensation, except for vehicles providing taxi cab service when the vehicle has a capacity of eight or fewer passengers and isn’t operated on a regular route or between specified places; or
- Is designed to transport more than 15 passengers, including the driver, and isn’t used to transport passengers for compensation; or
- Is used and labeled for the transportation of hazardous materials.

Example 1: Adam and Natalya are married nonresidents who are filing a joint federal return. Adam works for an Oregon interstate motor carrier as a commercial motor vehicle driver. He has a regular route from Idaho to Oregon, delivering products in Oregon. Because Adam is the driver of a commercial motor vehicle and has regularly assigned duties in more than one state, this income is exempt from Oregon tax. Natalya is a chef at an Oregon restaurant. They must file a joint Form OR-40-N. Only Natalya’s wages are entered in the Oregon column; Adam’s wages are exempt and aren’t included in the Oregon column.

Example 2: Brenda is a nonresident who works for an interstate motor carrier as a mechanic directly affecting the safety of commercial motor vehicles engaged in interstate commerce. She has regular duties in a Washington terminal and an Oregon terminal. She works one day a week in Washington and four days a week in Oregon.

Because Brenda directly affects the safety of a commercial motor vehicle in interstate commerce and performs regularly assigned duties in two states, she is exempt from Oregon tax. It doesn’t matter that the majority of her work is performed in Oregon. Brenda must file a Form OR-40-N but she won’t include these wages in the Oregon column.

Example 3: Jorge is a nonresident who works as a mechanic for an interstate motor carrier, directly affecting the safety of commercial motor vehicles engaged in interstate commerce. He regularly works in Medford but is required to be on-call some weekends to perform minor repair work. Several times a year he may travel to California to repair a flat tire, do minor engine work, etc.

Jorge doesn't have **regularly assigned duties** in more than one state. Duties that are performed on an on-call or as-needed basis aren't considered to be regularly assigned. Jorge's wages earned in Oregon are taxable by Oregon. He must file Form OR-40-N and report his wages in the Oregon column.

Example 4: Carl is a nonresident who works for an interstate motor carrier as a driver. Carl picks up a lumber delivery truck every morning in Washington and receives delivery assignments for the day. Depending on where the lumber needs to be delivered, he may not come to Oregon on a daily basis. Carl may pick up and deliver lumber only within Washington or only within Oregon. Carl drives to Oregon at least once a month.

Due to the nature of the business, the company may not be able to assign regular duties to Carl. The company itself doesn't know what each day's delivery route will be until customers place orders. Although Carl may not have a regular route in Washington and Oregon, he does drive to Oregon at least once a month. Carl is considered to have **regularly assigned duties in two states, as long as all routes are assigned randomly among all drivers on a regular basis**. Carl's wages earned in Oregon are exempt from Oregon tax. Carl must file Form OR-40-N but he won't include these wages in the Oregon column.

Example 5: Ed is a nonresident who works for an Oregon wholesaler as a shipping clerk. The company has one terminal in Oregon and one terminal in Washington. Ed regularly works in both terminals.

Although he has regularly assigned duties in two states, Ed's Oregon wages aren't considered exempt within the scope of the Amtrak Act. He isn't a driver, mechanic, or freight handler. His duties don't directly affect the safety of a vehicle. Ed's wages earned in Oregon are taxable by Oregon. He must file Form OR-40-N and include this income in the Oregon column.

Example 6: Frieda is a nonresident who works for an Oregon retail store as a freight handler. Her regularly assigned duties are to load and unload freight. Occasionally, Frieda is asked to fill in as a driver and, over the course of a year, may drive several routes in and out of Oregon. Frieda doesn't have "regularly assigned duties in more than one state" and she doesn't work for an interstate motor carrier. Her Oregon-source wages are taxable by Oregon. Frieda must file Form OR-40-N and include this income in the Oregon column.

Example 7: Butch is a nonresident who works for an Oregon-based interstate trucking carrier as a supervisor. His regular duties within the state of Oregon include safety training. Also, Butch frequently drives to Washington to conduct safety training.

Wages for performing supervisory duties don't qualify as exempt under the Amtrak Act. The employee's duties must directly affect the safety of a commercial vehicle. Conducting safety training only indirectly affects the safety of a commercial motor vehicle. Butch's wages are taxable by Oregon. He must file Form OR-40-N and include his wages in the Oregon column.

Example 8: Connie Sue is a nonresident who works for an interstate trucking carrier at her company's Oregon and Washington yards. She has a variety of duties, including helping load trucks. Connie Sue is allowed overtime as a result of being subject to the Fair Labor Standards Act.

Because she is covered under the Fair Labor Standards Act and isn't subject to the jurisdiction of the Secretary of Transportation, Connie Sue doesn't qualify for the Amtrak Act exemption. Her wages are taxable by Oregon. She must file Form OR-40-N and include her wages in the Oregon column.

Employer withholding

If your wages are exempt from Oregon tax under the Amtrak Act, Oregon tax doesn't have to be withheld from your pay. To stop withholding of Oregon income tax from your exempt wages, complete Form OR-W-4. Follow the instructions to declare that your wages are exempt using the appropriate code. Give Form OR-W-4 to your employer and attach an explanation of your qualifying duties. Submit a new form and explanation by February 15 of each year that you're claiming the exemption. You must still file an Oregon tax return even if you claim exemption from withholding under the Amtrak Act.

Like-kind exchange or involuntary conversion (ORS 316.738, 317.327)

You may elect to defer gain on like-kind business or investment property not held primarily for sale that is exchanged, in the case of real property under IRC Section 1031, or involuntarily converted under IRC Section 1033. If Oregon real property is exchanged for real property in another state, or if property located in Oregon is involuntarily converted into similar property located outside of Oregon, include Form OR-24 with your Oregon return in the year of the exchange or conversion, or submit it to us through Revenue Online. Submit the form to us **each year**, until you've disposed of the like-kind property, even if you don't have to file an Oregon income tax return. Download the form from our website or call us to order it.

Full-year residents. Report your Oregon gain on the sale or other disposition of the acquired property when it's reported on your federal return.

Part-year residents and nonresidents. If you were an Oregon resident at the time of the exchange or

involuntary conversion, file an Oregon return and report the Oregon portion of the gain when you report the gain on your federal return. If you were a nonresident at the time you exchanged or converted your Oregon property or you're a nonresident when the gain is reported on your federal return, you will need to file an Oregon Form OR-40-N to report the gain.

Market-based sourcing (ORS 314.665)

Oregon has changed from sourcing business income from the place where the cost of performance is incurred to the place where the taxpayer's market is located. This change affects nonresidents who do business in Oregon who are required to apportion their business income among two or more states.

Example: Andrew, a tax professional and Washington state resident, advertises his services in Oregon, Idaho, and Washington and has clients in all three states. He provides services for his clients out of his Washington office. He earned \$400,000 from his Oregon clients, \$350,000 from his Idaho clients, and \$250,000 from his Washington clients. Although his work is performed in Washington state, Andrew would report 40 percent of his sales (\$400,000) as Oregon income because 40 percent of his market is in Oregon.

Retirement income

Full-year and part-year residents. Most retirement income is subject to Oregon tax when received by an Oregon resident. This is true even if you were a nonresident when you earned the income. However, if you have federal pension income, you may subtract some or all of it from Oregon income. See "Federal pension income" in "Subtractions" for more information.

For other exceptions, see "Previously taxed employee retirement plans" and "Previously taxed IRA conversions" in "Subtractions."

Nonresidents. Oregon doesn't tax your retirement income if you are a nonresident who isn't domiciled in Oregon. If you are an Oregon nonresident who is still domiciled in Oregon, any Oregon-source retirement income is taxable by Oregon. This applies to most forms of retirement income taxed by Oregon, including public pension plans, corporate retirement plans, Keogh plans, simplified employee pensions (SEPs), and IRAs. For the definition of domicile, see "Residency."

Example: Hiro has always resided and worked in Oregon, which he thinks of as his home. He recently retired and now receives his pension and interest income from Oregon. Earlier this year, he sold his Oregon residence, bought an RV, and went to Arizona, where he rents

space year-round in an RV park. He intends to stay in Arizona for a year or two and then return to Oregon.

Hiro hasn't given up his Oregon driver's license. His RV and vehicles are registered with the state of Oregon. He hasn't changed his voter registration to any other state.

Hiro hasn't shown an intent to give up Oregon as his home, and he hasn't maintained a permanent home elsewhere. Based on these facts, Hiro's domicile is in the state of Oregon. Although Hiro may be treated as a nonresident for tax purposes on other forms of income (his interest income isn't taxed by Oregon), because his domicile is still Oregon, his Oregon-source retirement income is taxable by Oregon.

Retirement income means income from:

- Qualifying employer pension and profit-sharing plans exempt from federal tax [IRC Section 401(a)].
- Annuity plans [IRC Sections 403(a) and 403(b)].
- Cash or deferred compensation arrangements [IRC Sections 401(k) and 457 plans].
- Simplified employee pension plans [IRC Section 408(k)].
- Individual retirement arrangements [IRC Sections 408(a) and 408(b)].
- Plans for federal, state, or local government employees [IRC Section 414(d)].
- Pay for uniformed service members under chapter 71 of Title 10 of the United States Code.
- Trusts that were created before June 25, 1959 [IRC Section 501(c)(18)].

Payments received after termination of employment qualify if the payment is made under a plan, program, or arrangement maintained solely for the purpose of providing retirement benefits that exceed the amounts allowed under the qualified retirement plans described above.

Payments received from nonqualified deferred compensation plans [as described in IRC Section 3121(v)(2)(C)] qualify as retirement income if the payments are part of a series of substantially equal periodic payments made for a period of at least ten years or for the life or life expectancy of the recipient.

Retirement income doesn't include income received from:

- Stock options.
- Restructured stock plans.
- Severance plans.

Social Security and Railroad Retirement Board benefits (ORS 316.054)

Oregon doesn't tax any amount of your Social Security, Railroad Retirement Board, or railroad unemployment benefits. For information on the Railroad Retirement Board and Social Security benefits subtractions, see the related sections under "Subtractions."

State and local income tax refunds

If you received a refund of income tax from another state or local government that is included in your federal income, and you deducted those taxes on a prior year's Oregon return, include the refund in your Oregon income. This refund isn't taxable to Oregon if you didn't deduct the taxes on an Oregon return.

See "Subtractions" for information on the **Oregon income tax refund** subtraction.

Unemployment insurance (UI) benefits and other taxable income

Full-year residents. Oregon taxes UI benefits and any other taxable income you received during the year.

Part-year residents. Oregon taxes UI benefits and any other taxable income you received while an Oregon resident. Oregon also taxes any UI benefits and other taxable income from Oregon sources or based on Oregon sources received while a nonresident.

Nonresidents. Oregon taxes any UI benefits and any other taxable income included in federal AGI received from Oregon sources or based on Oregon sources.

Wages, salaries, and other pay for work

Full-year residents. Oregon taxes all of your earnings for services you performed inside and outside Oregon.

Part-year residents. *Oregon taxes all of your earnings while an Oregon resident. Oregon also taxes the amount you earned working in Oregon while you were a nonresident. If your Oregon wages aren't stated separately on your W-2, compute your Oregon-source income using the formula at the end of this section.

Nonresidents. *Oregon taxes the income you earned while working in Oregon. Oregon doesn't tax any amount you earned while you were working outside Oregon. Nonresident telecommuters who work for an Oregon employer are taxed only on the income earned from work performed in Oregon, including sick pay or other benefits.

***Nonresident exceptions:** To see if you qualify to exclude certain income, see "Air carrier employees," "Interstate transportation wages (Amtrak Act)," or "Hydroelectric dam workers" above, or "Waterway workers" below.

If the amount you earned working in Oregon differs from the Oregon wages shown on your Form W-2, compute your Oregon-source income using the formula at the end of this section.

You should ask your employer to provide you with a signed explanation of the wage difference, written on company letterhead. Keep the explanation with your tax records, as we may ask for it at a later date.

Important information for using this formula: When you count the number of days you actually worked in Oregon and the number of days you actually worked everywhere, don't include holidays, vacation days, or sick days. These aren't days that you actually worked. Your employer paid you for these days based on the days you worked. However, include your sick **pay**, holiday **pay**, and vacation **pay** in total wages.

Use this formula to determine total wages taxable by Oregon:

$$\frac{\text{Days actually worked in Oregon}}{\text{Total days actually worked everywhere}} \times \frac{\text{Total wages}}{\text{wages}} = \frac{\text{Oregon wages}}{\text{wages}}$$

If you only worked in Oregon, don't use the formula above. All your earnings are taxable by Oregon, and you must report them on your Oregon return.

Waterway workers (ORS 316.127)

Full-year residents. Oregon taxes all the income you earned while working on a watercraft in interstate waters.

Part-year residents. Oregon taxes all the income you earned while working on a watercraft in interstate waters during the part of the year you were an Oregon resident. For the part of the year you were a nonresident, see the following guidelines.

Nonresidents. Certain nonresident employees serving on watercraft who have regularly assigned duties in interstate navigable waters aren't subject to Oregon income tax.

To qualify you must:

- Be engaged on a vessel to perform assigned duties in more than one state as a pilot licensed under 46 U.S.C. Section 7101 or licensed or authorized under the laws of the state; or
- Perform regularly assigned duties while engaged as a master, officer, or member of a crew on a vessel operating in navigable waters in two or more states.

If you qualify, Oregon won't tax these wages. File Form OR-40-N (or Form OR-40-P if a part-year resident) and exclude your wages from your Oregon income. Mark the "Employment exception" box on your return. See "Interstate transportation wages (Amtrak Act)" for more information.

To stop withholding of Oregon income tax from your exempt wages, complete Form OR-W-4. Follow the instructions to declare that your wages are exempt using the appropriate code. Give Form OR-W-4 to your employer, and submit a new form by February 15 of each year that you're claiming the exemption.

Adjustments

Adjustments are deductions from your gross income. They result in “adjusted gross income,” or AGI, on your federal return. For full-year residents, these items flow through to your Oregon return. Part-year residents and nonresidents report most of these items directly on Form OR-40-P or OR-40-N. Enter the federal amount in the federal column and the Oregon amount, if any, in the Oregon column. If the item has an adjustment code, enter the federal and Oregon amounts in section A of Schedule OR-ASC-NP, then enter the totals from section A on your return. Your Oregon adjustment can’t be more than the adjustment on your federal return.

Alimony paid

Oregon allows a deduction for alimony paid under a divorce decree or separation agreement if the deduction is allowed on your federal return. The alimony you paid must be taxable income to your former spouse.

Full-year residents. The federal deduction flows through to your Oregon return via your federal AGI. Don’t claim an additional deduction on your Oregon return.

Part-year residents. Your Oregon deduction combines the alimony you paid while an Oregon resident with a partial deduction for alimony paid while a nonresident if you had Oregon-source income and the deduction was allowed on your federal return. Use the formula under **Nonresidents** to determine the nonresident portion of your Oregon deduction. Add the two amounts together for your total Oregon deduction.

Nonresidents. Oregon allows a partial deduction for alimony you paid while a nonresident if you had Oregon-source income and the deduction was allowed on your federal return. Use this formula to determine your Oregon deduction:

$$\frac{\text{Oregon-source income while a nonresident}}{\text{Total income received while a nonresident}} \times \text{Alimony you paid while a nonresident} = \text{Nonresident deduction}$$

Certain business expenses of reservists, performing artists, and fee-basis government officials

[Adjustment code 002]

Reservists

If you were a National Guard or reserve member of the U.S. Armed Forces who traveled more than 100 miles from your home to perform services, you may

be able to deduct certain business expenses you paid or incurred in connection with that service. For more information, see the instructions for federal Form 2106, *Employee Business Expenses*.

Full-year residents. The federal deduction flows through to your Oregon return via your federal AGI. Don’t claim an additional deduction on your Oregon return.

Part-year residents and nonresidents. Oregon doesn’t tax the reservist income of nonresidents, so you can’t deduct expenses you incurred while you were a nonresident. You may deduct only the expenses you incurred while you were an Oregon resident. Your Oregon deduction while you were a nonresident is \$0.

Performing artists

If you were a qualified performing artist, you may be able to deduct business expenses you paid or incurred in connection with your services in the performing arts as an employee. For qualifications and other information, see the instructions for federal Form 2106.

Full-year residents. The federal deduction flows through to your Oregon return via your federal AGI. Don’t claim an additional deduction on your Oregon return.

Part-year residents. Your Oregon deduction combines the expenses you paid while you were an Oregon resident, along with a partial deduction for the expenses you paid while you were a nonresident if you had Oregon-source income. Use the formula under **Nonresidents** to determine the nonresident portion of your Oregon deduction. Add the two amounts together for your total Oregon deduction.

Nonresidents. Oregon allows a partial deduction for these business expenses while you were a nonresident if you had income from an Oregon source. Your Oregon deduction can’t be more than your federal deduction. Use this formula to determine your Oregon deduction:

$$\frac{\text{Oregon-source income while a nonresident}}{\text{Total income from all sources while a nonresident}} \times \frac{\text{Performing artist employee business expenses paid while a nonresident}}{\text{Total income from all sources while a nonresident}} = \text{Nonresident deduction}$$

Fee-basis government officials

If you are a government official who is paid on a fee basis instead of wages or salary, you may be able to deduct certain business expenses you paid or incurred

in connection with services you performed. For more information, see the instructions for federal Form 2106.

Full-year residents. The federal deduction flows through to your Oregon return via your federal AGI. Don't claim an additional deduction on your Oregon return.

Part-year residents. Your Oregon deduction combines the expenses you paid while you were an Oregon resident with a partial deduction for the expenses you paid while you were a nonresident if you had Oregon-source income. Use the formula under **Nonresidents** to determine the nonresident portion of your Oregon deduction. Add the two amounts together for your total Oregon deduction. Your Oregon deduction can't be more than the deduction allowed on your federal return.

Nonresidents. Oregon allows a partial deduction for the expenses you paid while you were a nonresident if you had Oregon-source income. Your Oregon deduction can't be more than the deduction allowed on your federal return. Use this formula to determine your Oregon deduction:

$$\frac{\text{Oregon-source income while a nonresident}}{\text{Total income from all sources while a nonresident}} \times \frac{\text{Official business expenses paid while a nonresident}}{\text{Total income from all sources while a nonresident}} = \text{Nonresident deduction}$$

Educator expenses

If you were an eligible educator in 2025, you can deduct up to \$300 of qualified expenses you paid in 2025. If you and your spouse are filing jointly and both of you were eligible educators, the maximum deduction is \$600. For information about eligibility and qualified expenses, see the instructions for your federal return or IRS Publication 529, *Miscellaneous Deductions*.

Full-year residents. The federal deduction flows through to your Oregon return via your federal AGI. Don't claim an additional deduction on your Oregon return.

Part-year residents. Your Oregon deduction combines the qualified educator expenses you paid while you were an Oregon resident with the expenses you paid while working in an Oregon elementary or secondary school while you were a nonresident. Add the two amounts together for your total Oregon deduction. Your Oregon deduction can't be more than the deduction allowed on your federal return.

Nonresidents. Oregon allows a deduction for the expenses you paid while working in an Oregon elementary or secondary school. Your Oregon deduction can't be more than the deduction allowed on

your federal return. If you didn't work in an Oregon elementary or secondary school, your Oregon deduction is \$0.

Health savings account (HSA) deduction

[Adjustment code 003]

You may be able to take this federal deduction if you made contributions to an HSA during 2025. For more information about this deduction, see the instructions for federal Form 8889 or IRS Publication 969, *Health Savings Accounts and Other Tax-Favored Health Plans*.

Full-year residents. The federal deduction flows through to your Oregon return via your federal AGI. Don't claim an additional deduction on your Oregon return.

Part-year residents. Your Oregon deduction combines the HSA contributions you made while you were an Oregon resident with a partial deduction for contributions you made while you were a nonresident if you had Oregon-source income. Use the formula under **Nonresidents** to determine the nonresident portion of your Oregon deduction. Add the two amounts together for your total Oregon deduction. Your Oregon deduction can't be more than the deduction allowed on your federal return.

Nonresidents. Oregon allows a partial deduction for HSA contributions you made while you were a nonresident if you had Oregon-source income. Your Oregon deduction can't be more than the deduction allowed on your federal return. Use this formula to determine your Oregon deduction:

$$\frac{\text{Oregon-source income while a nonresident}}{\text{Total income from all sources while a nonresident}} \times \frac{\text{HSA contribution made while a nonresident}}{\text{Total income from all sources while a nonresident}} = \text{Nonresident deduction}$$

IRA or self-employed SEP and SIMPLE contributions

These federal deductions are for contributions made to an IRA, SEP (simplified employee pension), SIMPLE (savings incentive match plan for employees), or other qualified retirement plan for yourself or, if you're a sole proprietor or partner in a small business, your employees.

Oregon follows the federal definition of earned income and compensation used to calculate your IRA and other retirement plan deductions. For more

information about these deductions, see these IRS publications:

- Publication 590-A, *Contributions to Individual Retirement Arrangements (IRAs)*.
- Publication 560, *Retirement Plans for Small Business*.
- Publication 517, *Social Security and Other Information for Members of the Clergy and Religious Workers*.

Note: If any part of your contribution deduction came from the rollover of an individual development account (IDA), you must add back the amount already subtracted as an IDA contribution. See “Individual development account” under “Additions” for more information.

Full-year residents. The federal deduction flows through to your Oregon return via your federal AGI. Don’t claim an additional deduction on your Oregon return.

Part-year residents and nonresidents. You may be limited in the amount of IRA or other retirement plan contributions you can deduct for Oregon. Use these formulas to figure your deduction:

IRA formula. For the part of the year you were a nonresident, use this formula to determine your Oregon deduction:

$$\frac{\text{Oregon compensation while a nonresident}}{\text{Total compensation while a nonresident}} \times \text{IRA contributions made while a nonresident} = \text{Nonresident deduction}$$

Add the amount you paid while an Oregon resident to your nonresident deduction. The deduction in the Oregon column is limited by:

- The federal limitations, and
- Income taxed by Oregon.

Self-employed SEPs, SIMPLEs, and other qualified plans. Use this formula to determine your Oregon deduction for the part of the year you were a nonresident:

$$\frac{\text{Oregon earned income while a nonresident}}{\text{Total earned income while a nonresident}} \times \text{Contributions made while a nonresident} = \text{Nonresident deduction}$$

Add the amount you paid while an Oregon resident to your nonresident deduction. The deduction in the Oregon column is limited by:

- The federal limitations, and
- Income taxed by Oregon.

Moving expenses (ORS 316.048)

This deduction is only allowed for active-duty members of the U.S. Army, Navy, Air Force, Marines, Coast Guard, or Space Force, or their spouses, who are ordered to relocate to or within Oregon due to a permanent change in duty station (known as a PCS move), if the deduction is allowed on the federal return. See “Military personnel filing information” for more information.

Penalty on early withdrawal of savings

[Adjustment code 004]

This federal deduction is for taxpayers who paid a penalty to a financial institution for early withdrawal of funds from a time savings account, certificate of deposit, or similar type of deposit.

Full-year residents. The federal deduction flows through to your Oregon return via your federal AGI. Don’t claim an additional deduction on your Oregon return.

Part-year residents. Your Oregon deduction is the portion of the penalty amount you claimed on your federal return that is related to interest income that is taxed by Oregon. If the penalty isn’t related to interest income taxed by Oregon, your Oregon deduction is \$0.

Example: Liam claimed a deduction of \$1,800 on his federal return for an early withdrawal penalty. Only 30 percent of the interest income related to this penalty is taxable by Oregon. Liam’s Oregon deduction is also limited to 30 percent of the penalty, so his deduction will be \$540 (\$1,800 × 0.30).

Nonresidents. Because Oregon generally doesn’t tax interest income of a nonresident, your Oregon deduction is \$0. Enter the full amount on the federal line on Schedule OR-ASC-NP and \$0 on the Oregon line.

Self-employed health insurance

If you’re self-employed, you may be able to claim this federal deduction for the amount you paid for health insurance for yourself, your spouse, and your dependents.

This deduction is limited to earned income from your trade or business for which the insurance plan was established. For more information about this deduction, see the instructions for federal Form 7206, *Self-Employed Health Insurance Deduction*.

Full-year residents. The federal deduction flows through to your Oregon return via your federal AGI. Don't claim an additional deduction on your Oregon return.

Part-year residents and nonresidents. Your Oregon deduction is 100 percent of your health insurance premiums related to your self-employment for the part of the year you were an Oregon resident combined with the health insurance premiums paid by an Oregon business from which you received self-employment income while a nonresident. Your total Oregon deduction is limited to the earnings from self-employment reported in the Oregon column.

Self-employment tax

If you were self-employed, you may deduct up to one-half of your self-employment tax on your federal return. For more information about this deduction, see the instructions for federal Schedule SE, *Self-Employment Tax*.

Full-year residents. The federal deduction flows through to your Oregon return via your federal AGI. Don't claim an additional deduction on your Oregon return.

Part-year residents and nonresidents. Your Oregon deduction is the proportional amount of self-employment tax that is related to earnings taxed by Oregon. Your Oregon deduction can't be more than your federal deduction. Use this formula to determine your Oregon deduction:

$$\frac{\text{Self-employment earnings taxed by Oregon}}{\text{Total self-employment earnings}} \times \text{Federal deduction for self-employment tax} = \text{Oregon deduction}$$

Student loan interest

You may be able to take this federal deduction if you paid interest in 2025 on a qualified student loan, your filing status isn't married filing separately, your AGI is less than the federal threshold, and you (or your spouse, if filing jointly) aren't claimed as a dependent on someone else's return. For more information, see the instructions for your federal return or IRS Publication 970, *Tax Benefits for Education*.

Full-year residents. The federal deduction flows through to your Oregon return via your federal AGI. Don't claim an additional deduction on your Oregon return.

Part-year residents. Your Oregon deduction combines the student loan interest you paid while you were an Oregon resident with a partial deduction for interest you paid while you were a nonresident if you had Oregon-source income. Use the formula under **Nonresidents** to determine the nonresident portion of your Oregon deduction. Add the two amounts together for your total

Oregon deduction. Your Oregon deduction can't be more than the deduction allowed on your federal return.

Nonresidents. Oregon allows a partial deduction for the student loan interest you paid while you were a nonresident if you had Oregon-source income. Your Oregon deduction can't be more than the deduction allowed on your federal return. Your Oregon deduction can't be more than your federal deduction. Use this formula to determine your Oregon deduction:

$$\frac{\text{Oregon-source income while a nonresident}}{\text{Total income from all sources while a nonresident}} \times \frac{\text{Student loan interest paid while a nonresident}}{\text{Total income from all sources while a nonresident}} = \text{Nonresident deduction}$$

Other adjustments on federal Form 1040, Schedule 1, lines 23 and 25

[Adjustment code 005]

These deductions from federal income are included on Form 1040, Schedule 1, lines 23 through 25:

- Archer MSA deduction.
- Jury duty pay you gave your employer because your employer paid your salary while you served on the jury.
- Deductible expenses related to income from the rental of personal property for profit.
- Nontaxable amount of Olympic, Paralympic, and U.S. Olympic Committee income.
- Reforestation amortization and expenses.
- Contributions to Section 501(c)(18)(D) pension plans.
- Excess deductions of section 67(e) expenses from Schedule K-1 (Form 1041).
- Other write-in adjustments listed on Schedule 1, line 24z.

Add together the amounts from Schedule 1, lines 23 and 25.

Full-year residents. These adjustments flow through to your Oregon return via your federal AGI. Don't claim any additional deductions on your Oregon return.

Part-year residents. Your Oregon deduction combines the amount of any adjustment(s) you incurred while you were an Oregon resident with any adjustment that is deductible from Oregon-source income while you were a nonresident. Combine these amounts together for your total Oregon deduction. Your Oregon deduction can't be more than the deductions allowed on your federal return.

Nonresidents. Oregon allows a deduction for adjustments that are deductible from Oregon-source income. Your Oregon deduction can't be more than the deductions allowed on your federal return. If none of your adjustments are deductible from Oregon-source income, your Oregon deduction is \$0.

Additions

Generally, additions are items the federal government doesn't tax but Oregon does. Additions increase your income taxed by Oregon.

Numeric codes are provided with the explanation for most additions. A modification code is provided if an addition must be reported as a "negative modification" by a part-year resident or nonresident. Enter the numeric code and the dollar amount of each addition or modification on Schedule OR-ASC or OR-ASC-NP. Your total additions and modifications are then reported on your return.

If a numeric code isn't provided for an addition or modification, the amount is reported directly on your return.

Itemized deduction add backs. The items listed below are related to itemized deductions. If you're claiming any of these as itemized deductions on Schedule OR-A, you may have to report an addition on Schedule OR-ASC or a negative modification on Schedule OR-ASC-NP.

- Claim of right income repayments.
- Donations to disqualified charitable organizations.
- Federal estate tax on income in respect of a decedent.
- Gambling losses related to tax-exempt lottery winnings.
- Oregon IDA Initiative Fund donations.
- Oregon Production Investment Fund contributions.
- University Venture Development Fund contributions.
- Medical expenses claimed for the WFHDC credit.

Fiduciary additions. If the instructions for reporting an addition on a fiduciary return are different from the instructions for reporting an addition on a personal income tax return, they are noted within each section.

ABLE account subtraction nonqualified withdrawal [ORS 316.680(2)(L)]

[Addition code 164]

Did you withdraw funds from an Oregon ABLE account for a purpose other than paying for qualified disability expenses? If the withdrawn funds were from contributions previously subtracted on your Oregon return, you must report an addition on Schedule OR-ASC or OR-ASC-NP for the amount you withdrew. Qualified disability expenses are defined in IRC Section 529A. For more information about Oregon ABLE

accounts and examples of qualified withdrawals, see "ABLE account contributions" in "Refundable credits."

Accumulation distribution from certain domestic trusts (ORS 316.737)

[Addition code 132]

If you used federal Form 4970 to figure the partial tax on a distribution of accumulated income from a domestic trust created before March 1, 1984, contact us or email the Fiduciary Unit at estate.help.dor@dor.oregon.gov for information about this addition.

Capital loss carryover difference

[Addition code 162]

This addition affects few taxpayers. You'll have an addition on your Oregon return only if you're carrying over a capital loss from last year's return and last year's federal AGI was within the limits in Table 8. If so, use the **Capital loss carryover difference worksheet** in the **Appendix** to calculate your addition.

Table 8. Capital loss carryover difference

If line 11 on your 2024 Form 1040 was less than line 12, and—		
you filed:	and:	was more than:
Form OR-40	Line 7	Line 14 plus line 18 minus the larger of line 8 or Form 1040, line 7*.
Form OR-40-P	Line 29S	Line 33S plus (line 42 multiplied by line 35) minus the larger of lines 13S* or 30S.
Form OR-40-N	Line 29S	Line 33S plus line 44 minus the larger of lines 13S* or 30S.
you may have an addition on your 2025 Oregon return.		

* As a positive amount.

Claim of right income repayments [ORS 316.680(2)(i)]

[Addition code 103] [Modification code 649]

Are you taking a **deduction** on your federal return under IRC Section 1341(a) for a repayment of more than \$3,000 of income that was included in a prior year's taxable income under a claim of right? **If so, and you're claiming the Oregon credit for the same repayment, you can't deduct the repayment on your Oregon return.**

If you claimed the repayment deduction on Schedule OR-A, you must add back the itemized deduction amount. Use addition code 103 or report a negative modification using code 649. If you claimed the repayment deduction on a federal form or schedule other than Schedule A, you must add back the deduction as an addition on Schedule OR-ASC, section A or Schedule OR-ASC-NP, section B.

See Publication OR-CRC, *Claim of Right Income Repayments*, for more information. You can download the publication from our website or contact us to order it.

Note: If you're claiming a deduction on your federal return for repaid income that wasn't taxed by Oregon, see "Federal law disconnect" in "Other items."

Fiduciary addition. If the repayment is allowed as a deduction on Form 1041 and the Oregon credit is claimed on Form OR-41, report the deducted amount as an addition on Schedule OR-ASC-FID.

Depletion in excess of property basis [ORS 316.680(2)(d)]

[Addition code 151]

Depletion is using up natural resources by mining, quarrying, drilling, or felling. The depletion deduction allows an owner or operator to account for the reduction of a product's reserves.

If you claim percentage depletion on your federal return, you must add to your Oregon income any depletion that is more than your adjusted basis in the property. The addition includes any depletion in excess of basis taken by an S corporation or partnership of which you are a shareholder or partner. Usually you need to add to Oregon income any depletion that is a preference item subject to the federal alternative minimum tax.

Disposition of inherited Oregon farmland or forestland (ORS 316.844)

[Addition code 106]

You may have an addition on your return if:

- You dispose of farmland you inherited from someone who died on or after October 5, 1973, and before January 1, 1987; or
- You dispose of forestland you inherited from someone who died on or after November 1, 1981, and before January 1, 1987.

You may have this addition because the valuation of the land for Oregon inheritance tax purposes may differ from the valuation for federal estate tax purposes. Generally, the federal valuation is the fair

market value of the property at the date of the previous owner's death. The Oregon valuation is usually less than the federal valuation, because for inheritance tax purposes the property may have been valued as farm-use or forestland.

Farm-use value. If the previous owner died on or after October 5, 1973, but before September 13, 1975, use the farm-use value for the **year preceding death**. If death occurred on or after September 13, 1975, use the farm-use value for the **year of death**. You won't have this addition if the carryover basis was elected for a death after December 31, 1976, but before November 7, 1978.

Forest-use value. Use the forest-use value for the year of death.

How to figure the addition. This addition is equal to the difference between:

- The taxable gain or loss, using the Oregon valuation as your basis, and
- The taxable gain or loss, using the federal valuation as your basis.

This addition will increase the gain or reduce the loss you reported on your federal return.

Transfers of property. An addition is required when the beneficiary sells the inherited property. It's also required when:

- You recognize gain or loss on property that acquired the inherited property's basis due to a nontaxable exchange or involuntary conversion.
- You recognize gain or loss on property you received as a gift from a donor who inherited it.

Example: Anne inherited farmland from a relative who died on March 1, 1986. She sold the land in 2025 for \$1,100,000. The fair market value at the date of the relative's death was \$180,000. The farm-use value of the land on the 1986-87 property tax statement was \$50,000. Anne must show a \$130,000 addition on Schedule OR-ASC. Here is how she figures her addition:

Oregon valuation:			
Selling price		\$ 1,100,000	
Less: Farm-use value		<u>– 50,000</u>	
Gain			<u>\$1,050,000</u>
Federal valuation:			
Selling price		\$ 1,100,000	
Less: Fair market value			
on March 1, 1986		<u>– 180,000</u>	
Gain			<u>– 920,000</u>
Difference in total gain			
Addition amount			<u>\$ 130,000</u>

Disqualified charitable donations (ORS 128.760, 128.763)

[Addition code 160] [Modification code 650]

The Oregon Department of Justice (DOJ) issues disqualification orders to charitable organizations that fail to spend at least 30 percent of their annual functional expenses for program services. Names of disqualified organizations can be found by contacting DOJ. For more information, visit the DOJ website, www.doj.state.or.us. The organization is required to notify you that your donation may not be deducted on your Oregon return. If you made such a donation, you must report an addition on Schedule OR-ASC for the amount of the donation that you deducted on Schedule OR-A.

Part-year residents and nonresidents. Use a minus sign to report the addition as a negative modification on Schedule OR-ASC-NP.

Federal business income deduction (ORS 316.859)

[Schedule OR-ASC-FID only: Addition code 185]

Oregon is disconnected from the federal deduction for qualified business income in IRC Section 199A.

Personal income tax returns. This deduction doesn't flow through to the Oregon return. No addition is required.

Fiduciary returns. Report the amount from federal Form 1041, line 20, as an addition on Schedule OR-ASC-FID using code 185.

See "Qualified business income reduced tax rate" in "Oregon tax" for information about Oregon's reduced tax rate for sole proprietorships and pass-through entities.

Federal election on interest and dividends of a minor child (ORS 316.372)

[Addition code 107]

Did you use federal Form 8814, *Parents' Election to Report Child's Interest and Dividends*, to report the interest or dividends of your minor child on **your** federal return? If so, you must add the amount subject to the special federal tax to Oregon income. You must also include any interest or dividends your child received on bonds or notes of another state or local government that you didn't include as income on your federal return.

Full-year residents. Oregon taxes the smaller of line 13 or 14 from Form 8814. Oregon also taxes any interest or dividends your child received from state and local governments outside Oregon.

Part-year residents. Oregon taxes the interest and dividends your child received while you were an Oregon resident.

Nonresidents. Oregon generally doesn't tax interest or dividends received while you were a nonresident.

Federal estate tax (ORS 316.680(2)(c))

[Addition code 157] [Modification code 605]

Federal estate tax on income in respect of a decedent (IRD) is allowed as a deduction on your federal return. If any of this tax is on income not taxed by Oregon, you must show an addition on your Oregon return.

Use this formula to figure the Oregon addition:

$$\frac{\text{IRD not taxable by Oregon}}{\text{IRD included in federal taxable income}} \times \frac{\text{Federal estate tax deducted on the federal return}}{\text{Oregon addition}} =$$

Part-year residents and nonresidents. Use a minus sign to report the addition as a negative modification on Schedule OR-ASC-NP.

Fiduciary returns. Federal estate tax on IRD is allowed as a deduction on federal Form 1041 when the tax on that income will be paid by the recipient. An addition is required if the deducted tax is on income not taxed by Oregon. See the instructions for Form OR-41, Schedule 2, line 16.

Federal income tax refunds (ORS 316.685)

[Addition code 109] [Modification code 601]

Did you get a federal tax refund because of a federal audit or amended return? If so, you may need to add part or all of that refund to your Oregon income. An explanation of the **federal income tax liability** subtraction can be found in "Subtractions."

Tax benefit doctrine. You need to add back only refunds of federal tax for which you received a benefit in a **prior** year.

Example 1: Rosa subtracted her entire federal tax liability of \$2,800 on her 2023 Oregon return. In 2025, she amended her 2023 federal return. Rosa reduced her federal tax to \$2,300 and received a federal refund of \$500. She received a \$500 tax benefit because she subtracted \$500 more on her 2023 Oregon return than her corrected federal tax liability. Rosa will have an addition of \$500 on her 2025 return.

When to report the refund. As a general rule, report the refund in the year you get it. The rules for figuring the addition are explained here, but first, note these exceptions:

Exception 1

If there is an error on your federal return, we may correct your federal tax liability when your Oregon return is processed. This may decrease your federal tax subtraction. When the IRS later refunds the difference between your correct federal liability and the liability on your original return, don't report the refund as an addition. Because the tax subtraction on your original Oregon return was corrected, you didn't receive a tax benefit from the total federal tax subtracted on your original return.

Example 2: The Jacksons showed a \$3,700 federal tax liability on their federal return. They claimed a federal tax subtraction for that same amount on their Oregon return. When their Oregon return was processed, we discovered a math error on their federal return. We figured the Jacksons' correct federal tax as \$2,400 and reduced their Oregon federal tax subtraction to that amount. The Jacksons received the IRS refund of \$1,300. They won't report the refund as an addition on their current year Oregon return because they didn't receive a tax benefit for it.

Exception 2

If you file an amended return before the filing due date for that tax year, your amended return is treated as your original return for that year. In this case, the federal tax subtraction is corrected to reflect the federal income tax liability on your amended return.

Example 3: Heather filed this year's federal and Oregon returns in February. Her federal tax liability was \$4,800, which she subtracted in full on her Oregon return. In March, she amended her federal return to claim additional deductions. She refigured her federal tax as \$3,000. She also amended her Oregon return to claim the same additional deductions and reduce her federal tax subtraction by \$1,800 (from \$4,800 to \$3,000). The \$1,800 federal refund she receives won't be reported as income on her Oregon return. Because Heather filed the amended Oregon return **before** the original due date, her amended return is treated as her original return this year.

Figuring the addition

You must report as an addition the amount of the federal refund from which you received a tax benefit. The tax benefit is the amount of federal tax you deducted in a prior year and received as a refund in a later year, if the amount you received reduced your Oregon taxable income in the prior year.

Use the limit that applied to your federal tax liability subtraction for the prior year. The maximum allowable subtraction amount for the past few years can be found on the last page of this publication. See "Federal income tax liability" and Table 9 in "Subtractions" for more information about annual limits. Use this worksheet to figure your tax benefit.

- 1. Original federal tax liability from the prior year, up to annual limit. 1. _____

- 2. Corrected federal tax liability from the prior year, up to annual limit. 2. _____
- 3. Line 1 minus line 2. This is the tax benefit you received from your refund. 3. _____

Example 4: Jill's 2023 federal tax liability was \$9,000. Her subtraction was limited to \$7,800, which she subtracted on her Oregon return. Jill amended her 2023 federal return and received a refund of \$4,000 in 2025. The addition on Jill's 2025 return will be \$2,800, figured as follows:

1. Federal tax subtracted on Jill's 2023 Oregon return (limit \$7,800).	\$ 7,800
2. Less: Corrected federal tax (\$9,000 – \$4,000) (limit \$7,800).	<u>-5,000</u>
3. Tax benefit received and Jill's Oregon addition.	<u>\$ 2,800</u>

Example 5: Ella's 2022 original federal tax liability was \$8,500. She amended her 2022 federal return and part-year Oregon return in January 2025. She received a \$1,000 federal refund in 2025. Ella doesn't change the federal tax amount on her amended Oregon return. Her 2022 corrected federal tax is \$7,500. Because Ella's corrected federal tax is still more than the \$7,250 maximum subtraction she claimed on her Oregon return, she didn't receive a tax benefit from the federal refund. Ella doesn't have an addition to report on her 2025 Oregon return.

Nonresidents. A nonresident's tax benefit from federal tax refunds is the difference between the tax actually subtracted on the prior year's return and the tax that would have been subtracted had the federal return been correct. If the amounts on your federal return changed because you amended your federal return or because it was audited, your Oregon percentage may also change. Use the corrected percentage to figure the tax benefit.

Example 6: Brokston was a nonresident with Oregon-source income in 2023. His original federal tax was \$8,600. His Oregon percentage was 40 percent. In March 2025, he amended his 2023 federal and Oregon returns. Brokston doesn't change the federal tax amount on his amended Oregon return. He received a \$4,500 federal refund in 2025. His revised Oregon percentage for 2023 was 50 percent. He received a tax benefit of \$1,070 from the refund. He figures his tax benefit as follows:

1. Original federal tax liability (limit \$7,800)	\$ 7,800
× original Oregon percentage.	<u>× 0.40</u>
	\$ 3,120
2. Less: Corrected federal tax (\$8,600 - \$4,500) (limit \$7,800)	\$ 4,100
× revised Oregon percentage.	<u>× 0.50</u>
	<u>- 2,050</u>
3. Tax benefit received and Brokston's Oregon addition.	<u>\$ 1,070</u>

Full-year residents. Enter the tax benefit as an addition on Schedule OR-ASC, section A, using addition code 109.

Part-year residents and nonresidents. Use a minus sign to enter the tax benefit as a negative modification on Schedule OR-ASC-NP, section D, using modification code 601.

Federal subsidies for employer prescription drug plans (ORS 316.837)

[Addition code 123]

Employers who provide a prescription drug plan for their retired employees may receive a federal subsidy if they meet the requirements in 42 U.S.C. Section 1395w-132. This subsidy is excluded from federal taxable income under IRC Section 139A. Oregon law doesn't allow this exclusion. If you're an employer with a qualified plan for your retired employees and you received this subsidy, you'll have an addition on your Oregon return.

Full-year residents. Enter the full amount of the subsidy on Schedule OR-ASC.

Part-year residents and nonresidents. Enter the full amount of the subsidy on the federal line on Schedule OR-ASC-NP. On the Oregon line, enter any amount received while an Oregon resident and the amount attributable to Oregon-source income while a nonresident.

First-time home buyer savings account nonqualified withdrawal (ORS 316.801, OAR 150-316-0607)

[Addition code 166]

Funds that are withdrawn from a first-time home buyer savings account (FTHBSA) but aren't used to pay eligible costs must be added back to Oregon income if:

- The withdrawn funds were previously subtracted on an Oregon return, and
- The funds weren't redeposited within 60 days into another FTHBSA held by the taxpayer.

For more information about the FTHBSA subtraction, eligible costs, and other requirements, see [this topic](#) in "Subtractions."

Penalty. Nonqualified withdrawals that require an add back are also subject to a 5 percent penalty. See [this topic](#) in "Interest and penalties" and in the return instructions.

Gambling losses claimed as an itemized deduction (ORS 461.560)

[Addition code 134] [Modification code 604]

If you claimed gambling losses as an itemized deduction on Schedule OR-A, you may have an addition on your Oregon return.

Your gambling losses are limited to the amount of your gambling winnings taxed by Oregon.

Oregon doesn't tax Oregon Lottery winnings of \$600 or less from a single ticket or play. See ["Oregon lottery winnings"](#) under ["Subtractions"](#) for more information.

Example 1: Angela reported total gambling income of \$580 on her federal return (\$500 from the Oregon Lottery plus \$80 from horse races). On Schedule OR-A, Angela deducted \$300 of gambling losses. Angela will subtract \$500 in Oregon Lottery winnings from her Oregon income. Her net gambling winnings, taxable by Oregon, are reduced to \$80. Because Angela may not claim more in gambling losses than her gambling winnings taxable by Oregon, she can't claim more than \$80 in gambling losses on her Oregon return. She is required to reduce her deduction for gambling losses from \$300 to \$80. The difference of \$220 is an Oregon addition.

Gambling winnings reported in federal AGI	\$ 580
Less subtraction for Oregon Lottery winnings	(500)
Net gambling winnings taxable by Oregon	<u>\$ 80</u>
Gambling losses claimed on	
Schedule OR-A	\$ 300
Net gambling winnings included	
in Oregon income	<u>-80</u>
Reduction in gambling losses—	
Oregon addition	<u>\$ 220</u>

Example 2: Satish won \$100 from playing video poker and \$400 from Oregon lottery tickets. He included all \$500 in gambling winnings on his federal return, and he's deducting \$300 in gambling losses on Schedule OR-A. Satish is subtracting the \$400 in lottery winnings on his Oregon return because they're exempt from Oregon tax. Because only \$100 of his gambling winnings are taxed by Oregon, Satish must add back \$200 (\$300 - \$100) of the gambling losses he's deducting on Schedule OR-A.

Part-year residents and nonresidents. Use a minus sign to report your addition as a negative modification on Schedule OR-ASC-NP.

Income taxes paid to another state by a pass-through entity (ORS 316.082)

[Addition code 148]

If you're an owner of a PTE with income that is taxed by more than one state, report an addition if:

- The PTE paid tax to another state on your behalf on income that is also taxed by Oregon;
- You're claiming a credit for tax the PTE paid to the other state on your behalf; and
- The PTE deducted the tax paid on your behalf on its own return.

The amount of your addition is the lesser of the tax that was paid or deducted by the PTE on its return. **Note:** See the instructions for fiduciary returns at the end of this section if a credit is claimed on Form OR-41.

Example 1: Chad owns 5 percent of West Group, LLP, a limited partnership doing business in Utah. The LLP paid or withheld \$10,000 of Utah income tax on Chad's behalf in 2025 and deducted that amount on the LLP's 2025 federal return. Chad filed his own Utah nonresident return for 2025. His Utah tax liability was \$9,000. He'll receive a \$1,000 refund in 2026.

On his 2025 Oregon return, Chad calculates his 2025 credit based on his \$9,000 Utah tax liability. The income from the LLP that flowed through to Chad's return was reduced by the amount of tax that the LLP paid and deducted. For this reason, Chad must add the lesser of the tax paid (\$10,000) or deducted (\$9,000) to his income. Chad adds \$9,000 to his income on Schedule OR-ASC.

Example 2: Susan owns 50 percent of Painter, Inc., an Oregon S corporation. Painter, Inc. pays California income tax. It deducts the tax on its corporate return. It paid California \$30,000 of 2025 tax for her in 2025, and \$10,000 of 2025 tax in January 2026. The corporation paid \$2,000 of tax for her with its 2025 tax return filed in 2026.

Susan elects to be included in the group nonresident return that Painter, Inc. files with California. She calculates her credit for 2025 using \$42,000: \$30,000 in payments made in 2025, and the \$12,000 in 2025 tax paid in 2026. She claims the full credit on her 2025 return. Because Painter, Inc. is deducting the tax on its own return, Susan must add the lesser of the total tax paid or deducted to her income. This is true whether Susan's share of the tax was paid when the composite return was filed or was paid or withheld by Painter, Inc. during the tax year. For 2025, she adds \$30,000 to her Oregon income on Schedule OR-ASC. She'll add the remaining \$12,000 to her Oregon taxable income on her 2026 return.

Credit claimed on fiduciary return. If a credit is claimed on Form OR-41 for income taxes paid to another state, and the taxes on which the credit is based are deducted

on federal Form 1041, line 11, the taxes must be restored to income on the Oregon return. Report the smaller of the other state's 2025 tax liability or the tax claimed as a deduction on Form 1041 as an addition on Schedule OR-ASC-FID, section 1. For more information and examples, see the instructions for Schedule OR-ASC-FID.

Individual development account (IDA) (ORS 315.271, 316.848)

[Addition code 137, 138, or 159] [Modification code 648]

For more information about IDAs, see [this topic](#) under ["Subtractions."](#)

Donation credit. If you're claiming an itemized deduction for donations you made to the Oregon IDA Initiative Fund and you're claiming a credit based on those donations, you must report the amount you're deducting as an addition on Schedule OR-ASC using addition code 138 or as a negative modification on Schedule OR-ASC-NP using modification code 648.

Nonqualified withdrawal. Did you make a nonqualified withdrawal from your IDA during the year? If so, you must report the amount as an addition on Schedule OR-ASC or OR-ASC-NP. Use addition code 137.

Rollover to retirement account. Did you roll funds from your IDA account over to a retirement account? Were you allowed to deduct the amount of IDA funds contributed to the retirement account on your federal return? If so, the amount you deducted that was already subtracted as an IDA contribution on an Oregon return must be added back. Report the amount deducted on your federal return as an addition on Schedule OR-ASC or OR-ASC-NP. Use addition code 159.

Interest and dividends on government bonds of other states (ORS 316.680 (2)(a))

[Addition code 158]

Full-year residents. Oregon taxes interest and dividends on bonds and notes of another state or political subdivision of another state that you didn't include on your federal return. This income is an addition using Schedule OR-ASC.

Did you report the interest or dividends of your minor child on **your** federal return? And, did your child receive interest or dividends from another state or political subdivision? If so, include this income as an addition using Schedule OR-ASC. See ["Federal election on interest and dividends of a minor child."](#)

Part-year residents. Oregon taxes all interest and dividends you earned on all bonds or notes when you were an Oregon resident. Oregon also taxes the

interest and dividends on bonds or notes of another state (or political subdivision of another state) earned from an Oregon business, partnership, or S corporation during the part of the year you were a nonresident.

Nonresidents. Oregon will only tax this income if it comes from an Oregon business, partnership, or S corporation.

Fiduciary returns. Report the addition on Form OR-41, Schedule 2, line 14. No addition code is needed.

Related expenses

You may reduce your addition by the amount of investment expenses that:

- Aren't deducted elsewhere on your return, and
- Could be deducted if the income were included on your federal return.

Other federally-exempt obligations

You will have an Oregon addition for interest or dividends on obligations of any authority, commission, instrumentality, or territorial possession of the United States. These are exempt from federal tax but not Oregon tax [ORS 316.680(2)(b)].

Oregon doesn't tax interest or dividends on obligations that states can't tax under federal law. Examples of such obligations are bonds issued by:

- Territory of Guam.
- Commonwealth of Puerto Rico.
- Territory of Puerto Rico.
- Territory of Samoa.
- Territory of Virgin Islands.

Lump-sum distribution from a qualified retirement plan (ORS 316.737)

[Addition code 139]

Did you complete federal Form 4972 to figure the tax on your qualified lump-sum distribution using the 20 percent capital gain election and/or the 10-year tax option? If so, part or all of your lump-sum distribution wasn't included in your federal AGI. The excluded portion of your distribution must be included as an addition to your Oregon income.

Election to use 20 percent capital gain on federal Form 4972. Did you average the ordinary portion of your lump-sum distribution on federal Form 4972? Did you choose the 20 percent capital gain election on Form 4972? If you chose either of these options, you will add to Oregon income the total amount of taxable income shown on your federal Form 1099-R.

Example 1: Gary got a \$20,000 lump-sum distribution from his employer. Of this, \$12,000 was capital gain income, and \$8,000 was ordinary income. Using federal

Form 4972, he chose to use the 10-year averaging method only on the \$8,000 of ordinary income. He chose the 20 percent capital gain election on the \$12,000 capital gain income. Gary will add all of his \$20,000 lump-sum distribution to his Oregon income on Schedule OR-ASC.

Election to treat the entire distribution as ordinary income and average it. Did you average all of your lump-sum distribution (ordinary income and capital gain portions) on federal Form 4972? If so, you will have an addition for the entire lump-sum distribution to report on Schedule OR-ASC or OR-ASC-NP.

Example 2: John received a \$40,000 lump-sum distribution from his employer; \$30,000 was capital gain income and \$10,000 was ordinary income. He chose to average the entire distribution of \$40,000 as ordinary income on his federal Form 4972. John will add all of his \$40,000 lump-sum distribution to his Oregon income.

Election not to average any of your lump-sum distribution. Did you choose not to average any of your lump-sum distribution? If you included it in federal AGI, there is no addition on your Oregon return.

Nonresident capital losses and loss carryovers (OAR 150-316-0006)

[Addition code 161]

Capital losses and losses carried over from prior years may be claimed on an Oregon return only if:

- The capital loss was incurred while you were an Oregon resident; or
- If you were a nonresident when the capital loss was incurred, the loss was attributable to Oregon sources.

If you have a capital loss or are carrying over a loss from a prior year on this year's return (or are using the loss to offset capital gain), and the loss doesn't meet these requirements, you will have an addition on your Oregon return.

Full-year residents. If the loss was incurred while you were a nonresident and it wasn't attributable to Oregon sources, and you're claiming the loss or using it to offset capital gain on your return, report the loss amount as an addition on Schedule OR-ASC.

Part-year residents and nonresidents. If the loss was incurred while you were a nonresident and it wasn't attributable to Oregon sources, and you're claiming the loss or using it to reduce Oregon capital gain on your return, report the loss amount to the extent that it reduces the Oregon gain as an addition on Schedule OR-ASC-NP.

Example 1: Louise moved to Oregon and became a resident on June 1. Before she became a resident, Louise incurred a \$50,000 capital loss from non-Oregon sources. After she became a resident, Louise recognized a capital

gain of \$70,000. On her federal return, she's offsetting the \$70,000 gain with the \$50,000 loss, for a net gain of \$20,000. Because she wasn't a resident when she incurred the loss, and the loss wasn't from Oregon sources, Louise must report a \$50,000 addition on Schedule OR-ASC-NP.

Example 2: Eric is a Missouri resident who recognizes a \$25,000 capital gain from Oregon sources. On his federal return, Eric offsets the capital gain with \$10,000 in capital losses from Missouri sources, for a net gain of \$15,000. He reports the \$15,000 capital gain in the Oregon column on his nonresident return. Eric must report the \$10,000 loss as an addition on Schedule OR-ASC-NP.

Oregon higher education savings plan subtraction nonqualified withdrawal [ORS 316.680(2)(j)]

[Addition code 117]

Did you withdraw funds from an Oregon higher education savings plan account for nonqualified purposes, where the funds were subtracted on a prior year's Oregon return? Nonqualified purposes include using funds in the account to pay tuition at a K-12 school. If so, you must report an addition on Schedule OR-ASC or OR-ASC-NP for the amount you withdrew. IRC Section 529(e) defines qualified higher education expenses. If a portion of the withdrawal was used for qualified purposes, use any reasonable method to determine the amount of the addition. Keep a copy of this determination with your tax records. For more information about these plans see [this topic](#) under "Refundable credits."

Oregon Production Investment Fund contributions (ORS 315.514)

[Addition code 144] [Modification code 644]

If you claimed an itemized deduction on Schedule OR-A or a business expense deduction for the amount you or your business paid for your Oregon Production Investment Fund tax credit, you will have an addition for the amount of your deduction.

Example: Beth bid on \$2,000 worth of Oregon Production Investment Fund credits during this year's auction. She won all the credits she bid on and paid \$1,900 for them. On her Oregon return Beth will claim an Oregon Production Investment Fund credit of \$2,000. If she claims the \$1,900 she paid for the credits as an itemized deduction on Schedule OR-A, she must add back that amount to her income. She reports both the credit and the addition on Schedule OR-ASC.

For more information on the [Oregon Production Investment Fund](#), see [this topic](#) under "Carryforward credits."

Part-year residents and nonresidents. Use a minus sign to report your addition as a negative modification on Schedule OR-ASC-NP.

Passive foreign investment company income (ORS 316.737)

[Addition code 140]

You must add income from a passive foreign investment company (PFIC) that consists of excess distributions that you received during the year but didn't include in your gross income under IRC Section 1291. Your addition amount is the income from all PFICs that you used in the calculation of the increased tax entered on federal Form 8621, *Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund*, line 16c.

PTE-E tax deducted on entity-level federal return (Or Laws 2022, ch 82, § 3)

[Addition code 167]

Certain PTEs may elect to pay Oregon income tax at the entity level (PTE-E tax). If you're a member of an entity that elected to pay the PTE-E tax, you must report an addition for your share of the tax deducted by the electing entity on an entity-level federal return.

The electing entity must send you Schedule OR-21-K-1, *Distributive Share of Proceeds, Addition, and Credit*, to report your share of the PTE-E tax deducted on the entity's federal return. Your addition amount can be found on Schedule OR-21-K-1, line 2. Are you a member of more than one electing entity? If so, your addition amount is the sum of all your shares of PTE-E tax deducted on those entities' federal returns. Report the addition on your return for the same year that you report your income from each electing entity.

Treatment for qualified business income reduced tax rate. If you're using the qualified business income reduced tax rate to figure your tax, you may include the addition amount in your qualified business income to the extent that the ordinary business income passed through from the electing entity qualifies for the reduced tax rate. See ["Qualified business income reduced tax rate"](#) in ["Oregon tax"](#) for more information.

Refundable tax credit. You may claim a refundable tax credit for the taxes paid by an electing entity. See ["Pass-through entity elective taxes paid"](#) in ["Refundable credits."](#)

For more information about the PTE-E tax, see ["Pass-through entity elective tax"](#) in ["Oregon tax."](#)

Refund of Oregon-only itemized deductions from a prior year

[Addition code 136]

You may have an addition if you:

- Claimed itemized deductions for Oregon but not for federal on a previous year's return;

- Received a refund this year of an item you deducted on the previous year's Schedule OR-A; and
- Don't have to include the refund as income on this year's federal return because you didn't itemize deductions on the previous year's federal return.

You must add back the refunded item only to the extent that you received a tax benefit from the amount refunded. For an explanation of tax benefit with examples, see "Tax benefit doctrine" under "Federal income tax refunds."

Part-year residents and nonresidents. Enter the addition amount on both the federal and Oregon lines on Schedule OR-ASC-NP, Section C.

Research and development for semiconductor companies (ORS 315.518)

[Addition code 188]

If you claimed the research and development for semiconductor companies' credit and you claimed a business expense deduction for the expenses or payments that qualified for the credit, you will have an addition for the amount of the credit. For partners in a partnership or shareholders of an S corporation that qualified for the credit, the addition amount should be listed on the partner's or shareholder's Schedule OR-K-1.

Example: Alberto is a shareholder in an S corporation that works in the semiconductor industry and receives certification for the research and development for semiconductor companies' credit. The corporation deducts research expenses from gross income in the same manner as other business expenses. When Alberto receives his Schedule OR-K-1 from the corporation, it lists Alberto's addition and credit amounts. Alberto reports both the credit and the addition on Schedule OR-ASC.

For more information on the research and development for semiconductor companies' credit, see [this topic](#) under "Carryforward credits."

University Venture Development Fund contributions (ORS 315.640)

[Addition code 146] [Modification code 646]

If you claimed a deduction on Schedule OR-A for the amount of your University Venture Development Fund contribution, you will have an Oregon addition for the amount of your deduction.

Example: Amelia made a contribution to a University Venture Development Fund in the amount of \$100,000. She may claim a total credit of 60% of her contribution, or \$60,000, limited to her tax liability for the year. This year, Amelia's tax liability is \$23,000. On her Oregon return she will claim a credit of \$23,000 for her

contribution. The rest of her credit is carried forward to a later year. If Amelia claims the \$100,000 contribution as an itemized deduction on Schedule OR-A, she must add back the \$100,000 to her income on Schedule OR-ASC in the tax year the itemized deduction was claimed.

For more information on the [University Venture Development Fund tax credit](#), see [this topic](#) under "Carryforward credits."

Part-year residents and nonresidents. Use a minus sign to report the addition as a negative modification on Schedule OR-ASC-NP.

Unused business credits [ORS 316.680(2)(f)]

[Addition code 122]

Did you claim a deduction on your federal return for unused business credits (UBC)? Oregon doesn't allow this deduction.

Full-year residents. You must report your federal UBC deduction as an Oregon addition.

Part-year residents. You will have an Oregon addition for your federal UBC deduction related to any UBC earned while you were an Oregon resident. You also must include any federal UBC deduction related to Oregon credits earned while you were a nonresident.

Nonresidents. You will have an addition for your federal UBC deduction related to Oregon credits earned from Oregon sources.

WFHDC medical expenses

[Addition code 163] [Modification code 651]

Some expenses for the care of qualifying persons who aren't able to care for themselves may qualify as expenses for purposes of claiming the WFHDC credit and also as medical expenses for purposes of claiming itemized deductions. You can use these expenses for either the WFHDC credit or as a medical expense deduction, but they can't be used for both. If you choose to use them for both, you'll have an addition on your Oregon return. Use the [WFHDC medical expense worksheet](#) in the [Appendix](#) to figure the Oregon addition.

Full-year residents. Report any required add back amount on Schedule OR-ASC.

Part-year residents and nonresidents. Use a minus sign to report any required add back amount as a negative modification on Schedule OR-ASC-NP.

For more information about the [WFHDC credit](#), see [this topic](#) under "Refundable credits" or Schedule OR-WFHDC Instructions, *Oregon Working Family Household and Dependent Care Credit*.

Subtractions

Generally, subtractions are items the federal government taxes but Oregon doesn't. Subtractions reduce your income taxed by Oregon.

Numeric codes are provided with the explanation for most subtractions. For part-year residents and nonresidents, some subtractions will be reported as modifications. This is required when an amount you are subtracting must be adjusted for Oregon tax purposes. When this is the case, a modification code is provided with the explanation for that subtraction. Enter the numeric code and the dollar amount of each subtraction or modification on Schedule OR-ASC or Schedule OR-ASC-NP. The total dollar amount of subtractions and modifications is then reported on your return.

If a numeric code isn't provided for a subtraction or modification, the amount is reported directly on your return.

American Indian (ORS 316.777)

[Subtraction code 300]

Are you an American Indian? If so, you might not have to pay Oregon income tax on your income. You may be able to subtract all or part of your income if **all** the following are true:

- You are an enrolled member of a federally recognized American Indian tribe, and
- Your income is derived from sources within federally recognized Indian country in Oregon, and
- You lived in federally recognized Indian country in Oregon at the time the income is earned.

"Indian country" is defined as any land within a current federal Indian reservation boundary and other lands held in trust by the U.S. government for a tribe.

For enrolled members of federally recognized American Indian tribes who live in Indian country in Oregon, income exempt from Oregon income tax includes:

- Wages earned for work performed in Indian country in Oregon.
- Income from business or real estate located in Indian country in Oregon.
- Retirement income if the contributions to the plan came from or were connected with services performed in Indian country.
- Unemployment insurance benefits if the benefits were received as a result of work performed in Indian country.

- Interest, dividends, and capital gains from the sale of stocks and other intangibles, regardless of where the accounts are located.
- Gambling winnings from Indian gaming centers (casinos).
- Indian tribal disbursements from casino earnings.

You must live on and have income derived from sources within Indian country in Oregon **and** be an enrolled member of a federally recognized tribe to subtract the income listed above. You don't have to live in and have income from the same Indian country. The areas where you live and derive income must both be Indian country to qualify for the subtraction.

To claim the subtraction, you must report your total income on both your federal and Oregon tax returns.

Keep a completed copy of Schedule OR-EIS, *Exempt Income Schedule for Enrolled Members of a Federally Recognized Indian Tribe*, with your tax records. We may ask for it later. Go to our website to download the schedule or call us. You must include the following information on the schedule:

- The street address of the place you worked,
- The street address of the place you lived, and
- The tribe you are enrolled with and your membership number.

You must use the street address of your residence on the schedule so we can verify that you lived in Indian country when you earned your income. However, you may use your post office box address on your tax return.

If you meet **all** of the requirements for exemption from Oregon withholding, use Form OR-W-4 to declare that your income is exempt using the appropriate code. Give Form OR-W-4 to your employer, and submit a new form by February 15 of each year that you're claiming the exemption.

Income earned in Oregon but outside of Indian country will be taxed by Oregon. Also, any Oregon income earned by a member not living in Indian country will be taxed by Oregon. Each member of a household with income must meet these qualifications in order to claim the subtraction of their income.

If you are an enrolled member of a federally recognized tribe and a member of the U.S. Armed Forces stationed in Oregon, you may be entitled to an additional subtraction. For more information, see **"Military personnel filing information."**

AmeriCorps educational award (ORS 316.847)

[Subtraction code 362]

Were you an AmeriCorps volunteer? If you received a national service, summer of service, or silver scholar educational award from the federal Corporation for National and Community Service this year, you may subtract the award amount to the extent that it is included in your federal taxable income. The amount you are awarded under 42 U.S.C. Section 12602 must be received after your required term of service is completed. You can't subtract any amount that you are deducting elsewhere on your return.

Artist's charitable contribution (ORS 316.838)

[Subtraction code 301] [Modification code 600 (Form OR-40-P filers only)] [Modification code 682 (Form OR-40-N filers only)]

Oregon allows a subtraction to artists who contribute art objects they've created to a recognized charitable organization or governmental unit.

What qualifies as an "art object?"

The art object must be a painting, sculpture, photograph, graphic or craft art, industrial design, costume or fashion design, tape or sound recording, or film that qualifies for a charitable contribution deduction under IRC Section 170.

The charitable organization isn't required to use the art object for the same purpose or function that qualifies it for its federal tax exemption. You may deduct your charitable contribution even if the charitable organization sells the art object.

You must have an appraisal report showing the fair market value of the art object at the time of the contribution. Keep the appraisal report with your tax records; we may ask for it later.

How to calculate the subtraction

The subtraction is equal to the difference between:

1. The amount that would have been allowed as an itemized deduction if you could deduct the fair market value of the art (subject to the federal contribution limit)*, and
2. The actual allowable amount as an itemized deduction under federal tax law.

**Federal law limits charitable contributions. Contributions to some organizations are limited to 50 percent of your federal AGI. Contributions to others are limited to 30*

percent of your AGI. Use these limits when you figure your deduction.

Example: Ronda's AGI is \$10,000. She donated one of her paintings to an organization for display in a building. The painting has a basis (cost) of \$300 and a FMV of \$6,000. Here is how she computes her subtraction:

1. Amount allowed as a charitable contribution if computed using FMV. \$ 6,000
2. Amount allowed as a charitable contribution limited to 50% of AGI. \$ 5,000
3. Lesser of line 1 or line 2. \$ 5,000
4. Amount allowed as a charitable contribution on Schedule OR-A (basis). (\$300)
5. Ronda's subtraction (line 3 minus 4). \$ 4,700

Part-year residents and nonresidents. Follow the same rules as a full-year resident. You don't have to prorate this subtraction. **Part-year residents:** Enter your subtraction in section D of Schedule OR-ASC-NP using modification code 600. **Nonresidents:** Enter your subtraction in section E of Schedule OR-ASC-NP using modification code 682.

Capital Construction Fund (CCF) contributions (ORS 316.048)

[Subtraction code 339]

If you subtracted your contributions to your qualifying CCF account on your federal return, you may also subtract that amount on your Oregon return. See IRS Publication 595, *Capital Construction Fund for Commercial Fishers*, for more information.

The subtraction for Oregon is the same as the amount you identified as "CCF" and subtracted on your federal return.

Part-year residents and nonresidents. Enter the full subtraction amount on the federal line on Schedule OR-ASC-NP, section C. The amount allowed on the Oregon line is the Oregon percentage of your fishing trade or business that qualifies you for a CCF account.

Example: Greg moved out of Oregon in May and continued his fishing business in California. His Oregon net fishing income is \$10,000 and his California net fishing income is \$30,000. He put \$15,000 into his CCF account during the past year. On Schedule OR-ASC-NP, Greg will enter \$40,000 for his fishing income on the federal line and \$10,000 on the Oregon line. Greg's CCF subtraction on the federal line is the full

\$15,000. Since 25 percent of his eligible income was Oregon source, he is allowed a CCF subtraction of \$3,750 (\$15,000 x 25%) on the Oregon line.

Casualty loss from state-declared emergency (ORS 316.850)

[Subtraction code 388] [Modification code 654]

Did you experience a loss in Oregon that resulted from an event that was the subject of a state of emergency declared by the governor or that occurred in an area subject to an Emergency Conflagration Act order? If so, you may subtract on your Oregon return the amount of loss that you can't deduct on your federal return due to IRC Section 165(h)(5).

IRC Section 165(h)(5) disallows personal casualty losses from being deducted during tax years 2018-2025 unless the loss is due to a federally declared disaster. Oregon law, however, allows those losses if they meet specific criteria.

In addition to being due to a state-declared emergency in Oregon, the loss must:

- Occur during tax years beginning on or after January 1, 2020, and before January 1, 2026;
- Not be a loss due to theft; and
- Not be taken into account as a deduction on your federal return.

See the instructions for federal Schedule A and Form 4684 to determine the amount of your Oregon subtraction, subject to the restrictions above.

Construction worker and logger commuting expenses (ORS 316.812, 316.824, 316.832)

[Subtraction code 303]

If you are a qualified construction worker or logger, you may deduct certain commuting expenses from your Oregon taxable income. To claim these expenses, you must have worked at one or more construction projects or logging operation sites more than 50 miles from your home.

A construction project is construction, alteration, repair, improvement, moving, or demolition of a structure. A logging operation is the commercial harvesting of forest products. People in other occupations aren't eligible for this subtraction. Management personnel aren't eligible for this subtraction either.

Qualifying workers. Loggers must be fallers or buckers who maintain their own equipment **and** are paid

on a per-unit-cut basis. Construction workers must be members of a recognized trade, craft, or union.

Qualifying expenses. You may claim the actual cost of gas, oil, repairs, and maintenance for your vehicle for getting to and from work sites that are more than 50 miles from your home or you may use the standard mileage rate to figure your expenses, but not both.

If you use your vehicle both for business and personal purposes, you must determine your portion of business use. Keep a mileage log book during the year to track your business use and record all business trip miles. You should also record your starting and ending odometer reading for your vehicle each year. You may claim only the business portion of your repairs and maintenance as commuting expenses. You can't claim depreciation. To claim the actual business expenses for your qualified commute miles, you will need to keep your vehicle records during the year. Keep receipts for all your fuel (such as gas, diesel), oil change, repair, and maintenance costs in your permanent tax records.

Example: Ewan is a construction worker. He uses his truck for both personal and business purposes. He worked on three construction jobs during the year. Two of the jobs were located more than 50 miles away from his home. Ewan kept a log book in his truck and recorded each trip to and from the construction sites. He also kept a record of all his truck expenses—his receipts for diesel fuel, oil changes, repairs, and maintenance for the year. These receipts totaled \$4,215.

Ewan's odometer readings were:

Year end: December 31	38,306
Year beginning: January 1	26,327
Total miles driven	11,979

Ewan's mileage log book showed that his mileage to and from qualified construction job sites totaled 4,716 miles.

He will use this formula to determine the business use of his truck and the amount of truck expenses which will qualify for this subtraction:

$$\frac{\text{Qualified construction miles}}{\text{Total miles driven}} \times \text{actual expenses} = \text{Subtraction}$$
$$\frac{4,716}{11,979} \times \$4,215 = \$1,659$$

Ewan will claim a subtraction of \$1,659 on Schedule OR-ASC.

Duration of project. If you are a construction worker, claim only your expenses for the first year of continuous employment at any one construction site. If your employment continues beyond one year, the job site is considered permanent. You may not subtract any additional commuting costs for going to and from that site after the first year at that worksite. If

your employment at that job site is temporarily interrupted, don't count the interruption when you figure the one-year limit.

If you are a logger, there is no limit on how long you can work at the same job site and still claim expenses.

How to claim the subtraction. Claim your commuting expenses on Schedule OR-ASC or OR-ASC-NP.

Part-year residents and nonresidents. You can claim only expenses related to income that you included in the Oregon column of your Oregon return.

Domestic international sales corporation (DISC) dividend payments (ORS 316.749)

[Subtraction code 352]

Oregon allows a subtraction for the dividend payments you received from a DISC.

You can claim the subtraction if **all** of the following are true:

- The DISC dividend payments are included in your federal AGI, and
- The DISC was formed by January 1, 2014, and
- The DISC is subject to the 2.5% tax.

Federal deduction for overtime wages (ORS 316.048)

[Subtraction code 391]

[Modification code 657 (Form OR-40-P filers only)]

[Modification code 681 (Form OR-40-N filers only)]

Oregon allows the same deduction for overtime wages that is allowed on your federal return.

Full-year residents. Enter the amount you're claiming on your federal return on Schedule OR-ASC, Section B. Use code 391.

Part-year residents. Enter the amount you're claiming on your federal return as a modification on Schedule OR-ASC-NP, Section D. Use code 657.

Nonresidents. You may deduct the overtime portion of wages that you earned while physically working within Oregon. Limit your deduction to the overtime portion of wages included in the Oregon column of your nonresident return. Enter the amount as a modification that is not multiplied by your Oregon percentage on Schedule OR-ASC-NP, Section E. Use code 681.

Federal deduction for passenger vehicle interest paid (ORS 316.048)

[Subtraction code 392] [Modification code 658]

Oregon allows the same deduction for interest paid on a qualifying passenger vehicle loan that is allowed on your federal return.

Full-year residents. Enter the amount you're claiming on your federal return on Schedule OR-ASC, Section B. Use code 392.

Part-year residents and nonresidents. Enter the amount you're claiming on your federal return as a modification on Schedule OR-ASC-NP, Section D. Use code 658.

Federal deduction for tip income (ORS 316.048)

[Subtraction code 390]

[Modification code 656 (Form OR-40-P filers only)]

[Modification code 680 (Form OR-40-N filers only)]

Oregon allows the same deduction for tip income that is allowed on your federal return.

Full-year residents. Enter the amount you're claiming on your federal return on Schedule OR-ASC, Section B. Use code 390.

Part-year residents. Enter the amount you're claiming on your federal return on Schedule OR-ASC-NP, Section D. Use code 656.

Nonresidents. You may deduct tips that you received while physically working within Oregon as an employee or from a business you own and operate within Oregon. Limit your deduction to the amount of tip income included in the Oregon column of your nonresident return. Enter the amount as a modification that is not multiplied by your Oregon percentage on Schedule OR-ASC-NP, Section E. Use code 680.

Federal gain previously taxed by Oregon [ORS 314.290 (repealed), 316.716]

[Subtraction code 306]

Oregon law used to require an addition for gain on the sale or exchange of certain property deferred on the federal return. This statute was repealed in 2001. If you were required to make this addition before 2001, you have already been taxed by Oregon for the gain on the sale or exchange of your property. If this gain is now included in your federal income, you may claim a subtraction for the amount of the gain previously taxed by Oregon.

Federal income tax liability (ORS 316.680, 316.685, 316.695)

Part A: Federal income tax liability subtraction
[Form OR-40, line 10] [Form OR-40-N or OR-40-P, line 40]

Part B: Federal income tax paid for a prior year
[Subtraction code 309] [Modification code 602]

Part C: Foreign income tax subtraction
[Subtraction code 311] [Modification code 603]

Current year's federal income tax liability. Oregon allows a subtraction for your current year's federal income tax liability after credits. The subtraction for 2025 is limited to \$8,500 (\$4,250 if your filing status is married filing separately). It may be limited further based on your AGI; see Table 9.

The subtraction is based on the accrual method of accounting. This means you subtract the total amount of your federal tax liability after credits for the current tax year (not less than zero) as shown on your original return, regardless of when you pay it.

The subtraction is limited to income tax. This includes alternative minimum tax, tax on an IRA, and recapture taxes. You can't include self-employment tax or Social Security (FICA) tax. You also can't include penalties, interest, or any shared responsibility payment required by the federal Affordable Care Act.

Federal income tax credits, except for the EITC, reduce your federal tax subtraction. The credits for federal tax on special fuels, special oils, and a regulated investment company won't reduce your federal tax subtraction.

Don't enter less than \$0 or more than your limit. Use the **federal tax worksheet** to figure your subtraction.

RDPs: Use amounts from your actual federal return(s), not your "as if" return.

Additional federal income tax paid or determined. If you paid additional federal tax because your federal return was amended or audited, you may be able to claim an additional subtraction or modification for it in the year the tax was paid or determined, whichever is later. Your additional prior year's federal tax plus your current year's federal tax **can't** be more than your current year federal tax subtraction limit.

This subtraction applies only to additional federal income tax **paid** because your return was amended or audited. It doesn't include withholding tax, advance tax payments, interest, penalties, or paying the tax due on your original federal return. Use Part B of the **federal tax worksheet** to figure your federal tax from a prior year.

If you're a resident, report the amount using subtraction code 309; if you're a part-year resident or nonresident, report the amount using modification code 602.

Amended returns. If your federal tax liability for a prior year is changed, see "**Amended returns**" to determine whether you should change the amount of the subtraction on your amended Oregon return.

Federal tax worksheet

Note: All references to federal Form 1040 in this worksheet also include references to Forms 1040-SR and 1040-NR, unless otherwise indicated.

Instructions for Part A: Federal tax liability subtraction worksheet

Line 1: Enter your federal tax liability after nonrefundable credits but before other taxes. This is found on Form 1040, line 22.

Line 2: Do you have to repay some of the advance premium tax credit that you received during the year? If so, enter your excess advance premium tax credit repayment. This is found on Form 1040, Schedule 2, line 1a. Otherwise, enter \$0.

Line 3: Line 1 minus line 2. If the result is less than zero, enter \$0.

Line 4: Enter the total of any other taxes, plus any additions to tax that include only income tax, such as recapture taxes, from Form 1040, Schedule 2, lines 8, 16, and 17. Include any tax on non-effectively connected income from Form 1040-NR, line 23a. Don't include any additions to tax from Schedule 2, line 17 that are penalties, interest, excise tax, or other amounts that aren't income tax. If you have no other taxes, enter \$0.

Line 5: Add lines 3 and 4. This is your federal income tax liability before refundable credits.

Line 8: Enter your total premium tax credit amount from federal Form 8962, line 24. This is your allowable premium credit regardless of any excess advance payments you received or credit you're claiming on your federal return.

Line 9: Add lines 6, 7, and 8. These are the total refundable credits that must be subtracted from your federal income tax liability.

Line 10: Line 5 minus line 9. If less than zero, enter \$0. This is your federal income tax liability after refundable credits (other than the EITC).

Line 11: Enter your maximum allowable federal tax liability subtraction amount from Table 9. Don't enter more than your limit or less than zero.

Line 12: Enter the smaller of line 10 or line 11. This is your federal tax liability subtraction.

Part A: Federal tax liability subtraction

1. Federal tax liability (Form 1040, line 22). 1. _____
2. Excess advance premium tax credit (Form 1040, Schedule 2, line 1a). 2. _____
3. Line 1 minus line 2. (If less than \$0, enter \$0.) 3. _____
4. Other taxes (see instructions). 4. _____
5. Line 3 plus line 4. 5. _____
6. American Opportunity credit (Form 1040 or 1040-SR, line 29). 6. _____
7. Refundable adoption credit (Form 1040 or 1040-SR, line 30). 7. _____
8. Premium tax credit (Form 8962, line 24). 8. _____
9. Add lines 6, 7, and 8. 9. _____
10. Line 5 minus line 9. (If less than \$0, enter \$0.) 10. _____
11. Maximum subtraction amount from Table 9. 11. _____
12. Smaller of line 10 or line 11. This is your federal tax liability subtraction. 12. _____

Part B: Federal income tax paid for a prior year
[Subtraction code 309] [Modification code 602]

1. Enter maximum amount from Table 9 (Part A, line 11). 1. _____
2. Enter federal tax liability subtraction (Part A, line 12). 2. _____
3. Line 1 minus line 2. If the result is 0, **Stop**—you can't deduct your federal tax from a prior year. If greater than \$0, continue to line 4. 3. _____
4. Enter the amount of federal tax you paid in 2025 for a prior year. 4. _____
5. Enter the smaller of line 3 or line 4 here and on Schedule OR-ASC, section B (subtraction code 309) or Schedule OR-ASC-NP, section D (modification code 602). 5. _____

Part C: Foreign income tax subtraction
[Subtraction code 311] [Modification code 603]

If your total federal tax subtraction (Part A, line 12 plus Part B, line 5) is \$8,500 (\$4,250 if your filing status is married filing separately), **Stop**—you can't subtract your foreign tax (ORS 316.690). Otherwise, continue to Step 1.

1. Enter \$8,500 (\$4,250 if your filing status is married filing separately). 1. _____
2. Enter your total federal tax liability subtraction (Part A, line 12 plus Part B, line 5). 2. _____
3. Line 1 minus line 2. 3. _____
4. Enter the amount paid in foreign tax, but not more than \$3,000 (\$1,500 if your filing status is married filing separately). 4. _____
5. Enter the smaller of line 3 or line 4 here and on Schedule OR-ASC section B (subtraction code 311) or Schedule OR-ASC-NP section D (modification code 603). 5. _____

Table 9. Federal tax liability subtraction AGI phase-out

If your filing status is:	and your federal AGI is:		then your maximum allowable tax liability subtraction is:
	at least—	but less than—	
Single	0	\$125,000	\$8,500
	\$125,000	\$130,000	\$6,800
	\$130,000	\$135,000	\$5,100
	\$135,000	\$140,000	\$3,400
	\$140,000	\$145,000	\$1,700
	\$145,000 or more		\$0
Married filing separately	0	\$125,000	\$4,250
	\$125,000	\$130,000	\$3,400
	\$130,000	\$135,000	\$2,550
	\$135,000	\$140,000	\$1,700
	\$140,000	\$145,000	\$850
	\$145,000 or more		\$0
Married filing jointly	0	\$250,000	\$8,500
	\$250,000	\$260,000	\$6,800
	\$260,000	\$270,000	\$5,100
	\$270,000	\$280,000	\$3,400
Head of household	\$270,000	\$280,000	\$3,400
	\$280,000	\$290,000	\$1,700
Qualifying surviving spouse	\$290,000 or more		\$0

Federal mortgage interest credit (ORS 316.716)

[Subtraction code 320] [Modification code 607]

If all of the following are true for you, you may have a subtraction for mortgage interest on your Oregon return:

- You're claiming a mortgage interest credit on your federal return,
- You're claiming your mortgage interest as an itemized deduction on federal Schedule A,
- You reduced your mortgage interest deduction by the federal mortgage interest credit, and
- You're claiming the same reduced amount of mortgage interest on Schedule OR-A.

Claim a subtraction for the amount of mortgage interest credit allowed on your federal return. Take the subtraction in the year of the payment even if the federal credit is carried forward.

Example 1: Shawn and Phillip pay \$5,000 in mortgage interest this year. They are entitled to a 50 percent credit, limited to \$2,000, on their federal return. They claim the credit and reduce their itemized deduction for mortgage interest to \$3,000. They include the same \$3,000 deduction on Schedule OR-A, and claim a \$2,000 subtraction on Schedule OR-ASC.

Example 2: Use the same facts as Example 1, except that Shawn and Phillip's federal tax liability is \$1,500. They claim \$1,500 as a credit on their federal return, claim a deduction of \$3,000 in mortgage interest on Schedule A, and have a \$500 credit to carry over to next year. They include the \$3,000 deduction on Schedule OR-A and subtract \$2,000 on Schedule OR-ASC. They don't have a carryforward amount for Oregon.

Federal pension income (ORS 316.680(1)(e))

[Subtraction code 307]

You may be able to subtract some or all of your taxable federal pension included in federal income. This includes benefits paid to the retiree or the beneficiary. It doesn't include disability payments if you haven't attained the minimum retirement age. The subtraction amount is based on the number of months of federal service or points earned for retirement before and after October 1, 1991:

- If all of your months of federal service occurred or points were earned before October 1, 1991, subtract 100 percent of the taxable federal pension income you reported on your federal return.
- If you have no months of service or points earned before October 1, 1991, you can't subtract any federal pension.
- If your service occurred or points were earned both before and after October 1, 1991, you will subtract a percentage of the taxable federal pension income you reported on your federal return.

To determine your percentage, divide your months of service or points earned before October 1, 1991, by your total months of service or points earned. Round your percentage to three places (example: $0.4576 = 45.8\%$). Once you determine the percentage, it will remain the same from year to year.

Federal Thrift Savings Plan (TSP). Once a taxpayer is a retiree, withdrawals from federal TSP accounts are eligible for the subtraction based on dates of service. Withdrawals prior to retirement aren't eligible because the taxpayer must be a retiree at the time of withdrawal to be eligible for the subtraction. If the taxpayer moves money from a TSP to another type of account, the account loses its character and is no longer a federal pension. In this case, future withdrawals wouldn't be eligible for the subtraction.

Full-year residents. If you're eligible for the federal pension income subtraction, enter the amount on Schedule OR-ASC.

Part-year residents. If you received the federal pension income during the part of the year when you were a resident and you're eligible for the subtraction, enter the amount on both the federal and Oregon lines of Schedule OR-ASC-NP. Include your federal pension income received during the part of the year when you were a nonresident only if you were domiciled in Oregon during that time. If you were not domiciled in Oregon during the part of the year that you were a nonresident, exclude the income you received during that time from your Oregon income on your part-year return, and don't claim a subtraction for any portion of that income.

Nonresidents. Claim a subtraction for federal pension income only if you reported it on your Oregon return. Oregon doesn't tax your retirement income unless you have kept Oregon as your domicile. For more information, see "Income."

Use this worksheet to determine your federal pension income subtraction amount:

1. Federal pension income included in federal AGI. 1. \$ _____
2. a. Months of service or points earned from _____
(federal service start date) to October 1, 1991. a. ____ months*/points
b. Months of service or points earned from _____
(federal service start date) to _____ (federal
service retirement date). b. ____ months**/points

Divide the number of months or points on **line a** by the total number of months or points on **line b**. This is your federal pension subtraction percentage. Round the decimal three places and enter it here.

2. _____
3. Multiply **line 1** by the decimal on **line 2**. This is your federal pension subtraction. 3. \$ _____

* **Federal service start date:** If your federal service start date was the 1st through the 15th of a month, include the entire month when counting federal service.

If your federal service start date was the 16th through the end of a month, don't include the first partial month of service. Start counting the months of federal service with the first full month.

** **Federal service retirement date:** If your federal service retirement date was the 1st through the 15th of a month, don't count this final partial month when counting the total months of federal service.

If your retirement date was the 16th through the end of the month, include the entire month when counting the total months of federal service.

Keep a copy of this worksheet with your permanent tax records. Use the same percentage from line 2 to determine your federal pension subtraction in future years.

Example 1: Jared worked for the U.S. Department of Agriculture from May 1, 1977, until July 31, 2012. He worked a total of 423 months—173 months before October 1, 1991. This year, he received federal pension income of \$65,000. He can subtract 40.9 percent ($173 \div 423$) or \$26,585 ($0.409 \times \$65,000$) of his federal pension. Jared will continue to subtract 40.9 percent of his federal pension from Oregon income in future years.

Example 2: Robin served in the U.S. Army Reserves from June 20, 1987 through May 18, 2012. As a retired member of the reserves, Robin's service is easier measured by the retirement points she earned. Her Chronological Statement of Retirement Points shows that she earned 1,917 retirement points before October 1, 1991, out of a total 3,510. Robin received \$25,000 in pension benefits this year. This worksheet shows how she will determine her federal pension subtraction.

1. Federal pension income included in federal AGI. 1. \$ 25,000
2. a. Points earned before October 1, 1991. a. 1,917 points
b. Total points earned. b. 3,510 points

Divide the number of points on **line a** by the total number of points on **line b**.

Round the decimal three places. This is Robin's federal pension subtraction percentage. 2. 0.546

3. Multiply **line 1** by the decimal on **line 2**. This is Robin's federal pension subtraction. 3. \$ 13,650

Federal tax credits (ORS 316.716)

[Subtraction code 340] [Modification code 609]

These credits are not related to individual health insurance premium credits allowed by the federal Affordable Care Act.

To claim certain federal tax credits, such as the mortgage interest credit or the employer credit for paid

family leave allowed by IRC Section 45S, you must reduce your business expenses or itemized deductions on your federal return by the amount of the credit you figured for the year. Oregon allows a subtraction for the amount reduced on your federal return. Subtract the entire reduction amount in the year you first claimed the federal credit, even if the federal credit is carried over.

Part-year residents and nonresidents. Report the reduction amount as a subtraction if the item you reduced was reported on a federal form or schedule other than Schedule A. If you were required to reduce an itemized deduction, report the reduction amount as a modification, not as a subtraction.

Mortgage interest credit. Were you required to reduce your mortgage interest deduction because you claimed the federal mortgage interest credit? See “Federal mortgage interest credit” for detailed information about this subtraction.

Health Coverage Tax Credit (HCTC). If you claimed this credit on your federal return, you might be allowed a subtraction on your Oregon return. **This credit isn’t related to the premium credit allowed by the federal Affordable Care Act.** Oregon allows a subtraction or modification for the self-employed health insurance deduction or itemized deductions you couldn’t claim on your federal return because you claimed the HCTC.

Part-year residents and nonresidents doing business in Oregon. If your federal credit is related to a business operated entirely in Oregon, don’t prorate your subtraction. If the credit is related to a business not operated solely in Oregon, you must prorate your subtraction. Use this formula to determine the amount to subtract on the Oregon line on Schedule OR-ASC-NP:

$$\frac{\text{Sales in Oregon}}{\text{Sales everywhere}} \times \text{Expenses not allowed on your federal return}$$

Enter the expenses not allowed on your federal return on the federal line on the schedule.

Partnerships and S corporations. If your federal credit is from a partnership or S corporation, you may subtract a percentage of the expenses not deductible on your federal partnership or S corporation return. This amount will usually be the same as the percentage of total partnership or S corporation income you report on your return. Nonresidents or part-year residents must use the percentage explained in the previous paragraph to further prorate the expenses.

Film production labor rebate (ORS 316.698)

[Subtraction code 336]

Companies producing commercials, television shows, or movies in Oregon may be eligible for a cash rebate against payroll taxes if they qualify for the Greenlight Oregon Labor Rebate (GOLR) program. This program is administered by the Oregon Film and Video Office. Visit their website, www.oregonfilm.org, for more information.

You may subtract the amount of your GOLR rebate to the extent that it is included in your federal income.

First-time home buyer savings account (FTHBSA) contributions and earnings (ORS 316.798, 316.800)

[Subtraction code 361]

Oregon allows a subtraction for amounts you deposited during the tax year into a designated FTHBSA, along with any earnings on your deposits.

Who may claim the subtraction?

This subtraction can be claimed by an account holder of a designated FTHBSA who makes deposits into or has earnings from the FTHBSA.

An account holder may open an FTHBSA to save for their own home purchase or to help a qualified beneficiary save for a purchase. If the FTHBSA is opened on behalf of a qualified beneficiary, only the account holder may claim the subtraction.

See the instructions for Form OR-HOME for more information on qualified beneficiaries and account requirements.

What are the requirements?

An FTHBSA can be opened at any financial institution authorized to do business in Oregon. Account holders must fill out Form OR-HOME when opening an account. Money deposited in the account must be used to pay eligible costs of buying a single-family home within 10 years of opening the account.

What costs are eligible?

You must use your FTHBSA funds to pay costs associated with the purchase of a single-family home in Oregon by a person who hasn’t bought or owned a home in the three years prior to the purchase. The purchase can be made by you or by a qualified beneficiary that you designate. Eligible costs include:

- Down payment.
- Title insurance and other closing costs.
- Realtor commissions.
- Appraisal and inspection fees.
- Loan origination fees.

What’s the tax benefit of my FTHBSA?

For 2025, up to \$6,125 in deposits and earnings for the year may be subtracted by an individual filer each year—up to \$12,245 each year if you’re filing a joint return—for up to ten years or an aggregate total of \$50,000. The annual limit is adjusted each year for inflation. The maximum subtraction amount is limited by your federal AGI as shown in Table 10. **Note:**

Deposits or earnings that exceed the subtraction limit for the year can't be carried forward to a later year. Only those amounts that were deposited or earned during the tax year may be subtracted from that year's Oregon taxable income.

Table 10. FTHBSA subtraction limits

If your filing status is:	and your federal AGI is:		then your maximum allowable FTHBSA subtraction is:
	at least—	but less than—	
Married filing jointly	0	\$149,000	\$12,245
	\$149,000	\$158,000	\$9,795
	\$158,000	\$167,000	\$7,345
	\$167,000	\$176,000	\$4,900
	\$176,000	\$187,000	\$2,450
	\$187,000 or more		0
All others	0	\$104,000	\$6,125
	\$104,000	\$111,000	\$4,900
	\$111,000	\$117,000	\$3,675
	\$117,000	\$123,000	\$2,450
	\$123,000	\$131,000	\$1,225
	\$131,000 or more		0

Penalty and add back for nonqualified withdrawal. If the funds in your FTHBSA are withdrawn within 10 years of opening the account, but aren't used to purchase a home, a 5 percent penalty may be imposed on the amount withdrawn. See [this topic](#) in "Interest and penalties." You will also be required to add back any withdrawn amounts you previously subtracted. See [this topic](#) in "Additions." **Note:** You may transfer funds from your FTHBSA and deposit them into another FTHBSA that you hold at the same or a different financial institution; to avoid the penalty and the add back requirement, the transfer (or the home purchase) must be completed within 60 calendar days of the withdrawal.

For more information about the FTHBSA program, see the instructions for Form OR-HOME or visit our website.

Foreign income tax (ORS 316.690)

[Subtraction code 311] [Modification code 603]

You can subtract taxes paid to a foreign country if on your **federal** return:

- You claimed a credit for taxes you paid to a foreign country; or

- You didn't claim a credit for tax you paid to a foreign country **and** you didn't claim foreign taxes as an itemized deduction.

Your foreign tax subtraction **plus** the subtraction for your current federal tax liability **plus** any additional federal tax paid for a prior year can't be more than \$8,500 (\$4,250 if your filing status is married filing separately).

The foreign tax portion of your federal tax subtraction can't be more than \$3,000 (\$1,500 if your filing status is married filing separately).

Itemized deduction. If you claimed foreign income taxes as an itemized deduction on your federal return, you may claim them in full on Schedule OR-A. The amount you may deduct on your Schedule OR-A isn't subject to the same limit as the subtraction. See the instructions for Schedule OR-A for more information. **If you claim the foreign taxes as an itemized deduction, you may not also claim them as a subtraction.**

Use **Part C** of the **Federal tax worksheet** to figure your foreign tax subtraction.

IDA contributions (ORS 316.848)

[Subtraction code 314]

An IDA is a matched savings account that builds the financial management skills of qualifying Oregonians while they save toward a defined goal. An IDA allows an individual in a lower-income household to accumulate assets tax-free. As the account holder, you make deposits to your own account. Your deposits are matched with private donations. Withdrawals made for a qualified purpose are tax free.

Qualified purposes include:

- Paying higher education expenses or medical expenses; or
- Purchasing a primary residence; or
- Saving for retirement; or
- Starting your own business.

Oregon allows a subtraction on your tax return for deposits you make to your IDA through the Neighborhood Partnership Fund. Your subtraction includes the interest earned on your IDA funds if the interest is included in your federal taxable income. Subtract the amount of the deposits made during the year, plus taxable interest earned, on Schedule OR-ASC or OR-ASC-NP.

For more information about establishing an IDA, contact The Neighborhood Partnership Fund at 503-226-3001 or www.neighborhoodpartnerships.org.

Income on a composite return (OAR 150-314-0515)

[Form OR-40-N/OR-40-P only: Subtraction code 341]

If you're a nonresident PTE owner who elects to join in a composite filing, the PTE will file Form OR-OC, *Oregon Composite Return*, to report your income and pay tax on your behalf. If you have other Oregon-source income, you must also file your own nonresident personal income tax return to report and pay tax on this income.

Follow the instructions for filing Form OR-40-N if you have income that wasn't included in a composite filing. All of your PTE income must be reported on the return, including the income reported on the composite return. However, because the income on the composite return has already been taxed, subtract that income on both the federal and Oregon lines on Schedule OR-ASC-NP, section C.

Note: Don't claim the tax paid on your behalf by the PTE as a payment on your Form OR-40-N. That payment was already used to pay the tax on the income reported on the composite return.

Interest and dividends on U.S. bonds and notes [ORS 316.680(1)(a)]

[Subtraction code 315]

Did you include any interest or dividends from U.S. bonds and notes in your federal income? If so, you may subtract this income on your Oregon return. Common examples of U.S. government interest include savings bond and Treasury bill interest.

You may also subtract U.S. government interest (called state exempt-interest dividends) from regulated investment companies and asset pools managed by a fiduciary. These include, but aren't limited to, banks, savings associations, or credit unions. To qualify, the regulated investment company or asset pool must invest in U.S. government securities. **These securities must be tax-exempt for Oregon.** The subtraction is limited to your share of the amount of interest actually earned from qualifying U.S. government securities.

You can't subtract amounts when the U.S. government only guarantees the security. If you receive distributions from a retirement plan, you may not subtract pension income received from funds invested in U.S. government securities.

Part-year residents and nonresidents. You may claim the subtraction only for interest and dividends you included as income taxable by Oregon.

Any gain recognized for federal tax purposes on the sale of U.S. bonds and notes is also taxable by Oregon.

Following is a detailed list of bonds and notes that may or may not qualify for this subtraction. For a list of obligations that are exempt from both state and federal taxation, see **"Interest and dividends on government bonds of other states"** in **"Additions."**

Qualifies	Bond/note
Yes	Banks for Cooperatives District of Columbia.
Yes	Commodity Credit Corporation.
No*	Export-Import Bank.
No	Farmers Home Administration.
Yes	Federal Deposit Insurance Corporation.
Yes	Federal Farm Credit Bank.
Yes	Federal Financing Bank.
No	Federal Home Loan Mortgage Corporation (Freddie Mac).
Yes	Federal Home Loan Bank.
Yes	Federal Intermediate Credit Bank.
Yes	Federal Land Bank and Federal Land Bank Association.
No	Federal National Mortgage Association (Fannie Mae).
Yes	Federal Savings and Loan Insurance Corporation.
No	Federal tax refunds.
Yes	Financing Corporation (FICO).
Yes	General Insurance Fund.
No*	Government National Mortgage Association (Ginnie Mae).
Yes	Government Services Administration (GSA Public Building Trust Participation Certificate).
No	International Bank for Reconstruction and Development.
Yes	Production Credit Association (PCA).
Yes	Resolution Funding Corporation (REFCO).
No	Repurchase agreements (Repos).
Yes	Series EE, HH, and I Bonds.
No*	Small Business Administration.
No#	Student Loan Marketing Association (Sallie Mae).
Yes	Tennessee Valley Authority.
Yes	Treasury bills and notes—interest.

No	Treasury bills and notes—gain on sale.
No	U.S. Merchant Marine bonds.
Yes	U.S. Postal Service bonds.
No*	Washington (D.C.) Metropolitan Transit Authority.
Yes	Zero coupon obligations of the U.S. (for example, “CATs,” “STRIPS,” “TIGRs,” etc.).

**If the creditor has defaulted and the U.S. government/Export-Import Bank is paying the interest, it's nontaxable.*

#Sallie Mae became a private enterprise in 2004.

Related expenses

You must reduce your subtraction for expenses connected with U.S. bonds and notes if the expenses are included in your Oregon itemized deductions on Schedule OR-A. These expenses include interest paid on money borrowed to buy the bonds and notes and costs incurred in the production of income from the bonds and notes.

Legislative Assembly expenses (ORS 171.072)

[Subtraction code 335]

Members of the Oregon Legislative Assembly receive allowances for expenses they incur while performing their official duties. Each legislator must choose whether to include their allowance in taxable income. When an allowance is included in taxable income, the legislator may deduct the expenses they incurred while performing their official legislative duties. If the legislator does not include their expense allowance in their taxable income, they can't claim any deductions for their expenses.

Oregon doesn't tax the allowances received by legislators. If you served as an Oregon legislator during 2025 and you chose to include your allowance in your taxable income, you may subtract any allowance amount that you haven't deducted elsewhere on your return.

Example: Peter served as an Oregon senator during the tax year. He chose to have his allowance included in his taxable income. On his Schedule OR-A, he deducts all but \$1,000 of the expenses he incurred while performing his official legislative duties. He may claim a subtraction for the remaining \$1,000 on his Oregon return.

Manufactured dwelling park capital gain exclusion (Notes following ORS 316.792)

[Subtraction code 338]

Amounts received from the sale of a manufactured dwelling park to certain organizations are exempt from Oregon income tax.

If you included this gain in income on your federal return, you may claim a subtraction for the gain amount on your Oregon return. Enter the amount on Schedule OR-ASC or OR-ASC-NP.

To qualify, the park must have been:

- Sold to a tenants' association nonprofit organization, community development corporation, or a housing authority; or
- Destroyed by a natural disaster and sold to a nonprofit corporation or housing authority that will redevelop the site as a manufactured dwelling park.

For purposes of this exclusion, a “natural disaster” includes any disaster resulting in the declaration of a state of emergency by the governor of Oregon, or by the governing body of an Oregon city or county, for wildfires, floods, tsunamis, earthquakes or similar events, including disasters begun by negligent or intentional acts.

Manufactured dwelling park closure payments (ORS 316.795)

[Subtraction code 344]

Payments received from your former landlord because your manufactured dwelling park was closed are exempt from state taxation. These payments must be included in your federal income in order to be subtracted on your Oregon return. If you didn't include them in federal income, don't subtract them.

Marijuana business expenses [ORS 316.680(1)(i)]

[Subtraction code 359]

Did you operate a business as a medical marijuana dispensary or as a producer, processor, wholesaler, or retailer of medical or recreational marijuana with a license issued by the Oregon Health Authority (OHA) or the Oregon Liquor and Cannabis Commission (OLCC) under ORS Chapter 475C? If so, you may subtract certain business expenses on your Oregon

return that you can't deduct on your federal return due to IRC Section 280E.

IRC Section 280E keeps you from deducting business expenses on your federal return, other than the cost of goods sold, if your business involves the cultivation, manufacture, distribution, or sale of certain controlled substances. Oregon law, however, allows a subtraction for the same ordinary and necessary expenses you incur for your business that are allowed for other types of businesses operating in this state. If the expense would have been allowed for federal purposes, but your business falls within the Controlled Substances Act (21 U.S.C. Sections 801 et seq.), you are allowed a subtraction on your Oregon return.

See the instructions for the appropriate federal schedule for determining the net income from your business to be reported on your federal return. The schedule showing income after allowable federal deductions is submitted with your federal return. Complete a second Oregon-only schedule to determine the expense amount you can subtract on your Oregon return. Report this amount on Schedule OR-ASC, section B or Schedule OR-ASC-NP, section C. Keep the Oregon-only schedule with your tax records.

Example 1: Erin has a business licensed by the OLCC to sell marijuana in Oregon. Her store sold medical and recreational marijuana products. Her gross sales for the year totaled \$750,000. After deducting \$350,000 in cost of goods sold, her gross profit was \$400,000, which she reported as business income on her federal Schedule C.

Along with paying the cost of the goods she sold, Erin had ordinary and necessary retail business expenses. She completed a second Schedule C for Oregon only and determined that her expenses, other than cost of goods sold, totaled \$150,000. She claimed this amount as a subtraction on Schedule OR-ASC.

Example 2: Matt grows marijuana in his garage and sells it to his coworkers and friends. This year, he made \$50,000 from these sales. He spent \$15,000 on costs of goods sold during the year, and another \$10,000 in other ordinary and necessary business expenses. Matt doesn't have a license to produce or sell marijuana in Oregon, but he must file federal and Oregon tax returns to report his income. On his federal return, he must report \$50,000 in gross income and can deduct \$15,000 for the cost of the goods he sold. He can't deduct his other business expenses on his federal return. Matt also can't take an Oregon subtraction for those other business expenses because he doesn't have a license issued by the OHA or OLCC.

Oregon income tax refund (ORS 316.695)

[Form OR-40-P/Form OR-40-N only: Subtraction code 325]

Oregon allows a subtraction for Oregon state income tax refunds included in federal income. Oregon doesn't allow a subtraction for an income tax refund from any other state. **Full-year filers:** This subtraction is claimed on Form OR-40. **Part-year and non-resident filers:** Claim this subtraction on Schedule OR-ASC-NP, section C.

Oregon Investment Advantage (ORS 316.778)

[Subtraction code 342]

Oregon has an income tax exemption program for business development in Oregon. The program is available to both new and expanding businesses.

Who is eligible for the exemption?

The exemption is a 10-year waiver of all income and excise taxes relating to qualifying business operations. Business Oregon (the Oregon Business Development Department, or OBDD) administers this program.

To qualify, a company must create at least five new full-time, year-round jobs that meet minimum pay requirements. Facility operations must be the first of their kind in Oregon for the company and must not compete with existing area businesses. Areas that qualify for development can change from year to year. Local unemployment rates and per capita income as of the date of application for preliminary certification determine eligibility. For a list of qualifying counties, go to www.oregon.gov/biz.

How is a facility certified?

There are two application forms necessary for this program. A preliminary certification is completed before hiring or any construction work is done. An annual certification is then completed for each of the 10 years that the income tax exemption is claimed. To find out more about this program or download an application form, contact Business Oregon at www.oregon.gov/biz.

How is the subtraction computed?

The exempt income is determined by multiplying the taxpayer's federal taxable income by the ratio of their federal AGI derived from the business over their total federal AGI.

The resulting amount is then multiplied by the ratio of the business' income derived from the business' sales at the certified facility over its sales from all business activities.

Nonresident and part-year resident taxpayers determine exempt income by multiplying only Oregon-sourced federal taxable income in the first step of the computation above.

See our administrative rule for additional information on determining income derived from qualifying activities (OAR 150-316-0600).

Oregon Lottery winnings (ORS 461.560)

[Subtraction code 322]

Oregon won't tax your winnings from an Oregon Lottery ticket or play that results in winnings of \$600 or less. Individual Oregon Lottery winnings of more than \$600 **per ticket or play** are taxed by Oregon and aren't eligible for the subtraction.

"Oregon Lottery" means all games offered by the Oregon State Lottery commission and purchased in Oregon, including games jointly administered by Oregon and other states (such as Powerball). Oregon Lottery doesn't include gambling winnings from other sources, such as tribal gaming centers. If you're a Native American, see the **"American Indian"** subtraction for more information.

Winnings of more than \$600 from a single ticket or play are fully taxable and may be reported by the Oregon State Lottery on Form W-2G. Lottery winnings that are more than \$1,500 must have 8 percent withheld for Oregon taxes. If state income tax wasn't withheld from your gambling winnings, consider making estimated tax payments or increasing your withholding from your wages. To increase your Oregon wage withholding, complete Form OR-W-4. Give the form to your employer.

Example: Margaret purchased two Oregon Lottery tickets and won \$1,000 on one ticket and \$500 on the other. She also won \$300 from a lottery ticket she bought in Idaho, and \$150 on a slot machine at an Oregon casino. Margaret included all \$1,950 in winnings on her federal return. Margaret can subtract \$500 of her Oregon Lottery ticket winnings on Schedule OR-ASC.

Nonresidents: Oregon Lottery winnings are taxable to nonresidents. Oregon Lottery winnings included in federal taxable income are eligible for the subtraction when winnings per ticket or play are \$600 or less.

Exception for pre-1998 tickets: You may subtract all Oregon Lottery winnings included in your federal

income from tickets purchased prior to January 1, 1998. Did you assign your lottery winnings to a private company and receive a lump-sum settlement? If so, your settlement isn't taxable by Oregon if your winning ticket was purchased before January 1, 1998. Winnings from tickets purchased on or after January 1, 1998 are fully taxable.

Gambling loss deduction. If you're deducting gambling losses related to your tax-exempt lottery winnings on Schedule OR-A, you must add back the amount that exceeds the winnings that are taxed by Oregon. See **this topic** under **"Additions"** for more information.

Previously taxed employee retirement plan contributions (ORS 316.159)

[Subtraction code 327]

If you are an Oregon resident who made contributions to a traditional IRA, Keogh, SEP, or certain other retirement plans while you were a nonresident, you may claim a subtraction for your distributions up to the amount of your contributions that were taxed by the state where you were a resident, if all of the following are true. You:

- Deducted your contributions on your federal return for the year the contributions were made.
- Filed an income tax return with the state where you were a resident for the year when you deducted the contributions on your federal return.
- Couldn't claim the same (or any) deduction on your state income tax return for the contributions you deducted on your federal return.
- Weren't required to file a nonresident Oregon return for the year when the contributions were deducted on your federal return.
- Weren't allowed a credit for taxes paid to another state on an Oregon return which included the contributions in the credit calculation.
- Were not allowed to claim a subtraction, deduction, exemption, or other tax benefit in another state for your distributions from the plan before you became an Oregon resident.
- Are now receiving distributions from the plan to which you made contributions as a nonresident.
- Included the distributions in your federal AGI this year.

All distributions you receive after becoming an Oregon resident are initially considered to be a recovery of your contributions. You may claim a subtraction for your distributions each year that you are a resident, up to the total amount of contributions that

were previously taxed, even if you have received distributions before becoming an Oregon resident.

No subtraction is allowed for interest or other investment income from your contributions, or for contributions that weren't previously taxed.

A statement showing the contributions you made when you were a nonresident and the amounts that were deducted on your federal returns but taxed on your state income tax returns will help you figure your subtraction. Keep this statement with your tax records.

Example 1: Peggy was a California resident when she made contributions to her employer-based retirement plan. She deducted the contributions on both her federal and California returns. After Peggy became an Oregon resident, she started taking retirement distributions. Because Peggy's contributions weren't taxed on her California returns, she can't take the subtraction.

Example 2: Ronald was a Kansas resident when he made contributions to the state's public employee retirement fund. He deducted the contributions on his federal returns, but his contributions were included in income on his Kansas income tax returns. Ronald became an Oregon resident and this year he started taking distributions from his retirement plan. Because his contributions were previously taxed by Kansas, Ronald can take the subtraction. He can take the subtraction each year until the total amount of his previously taxed contributions has been recovered.

Example 3: Harley was a Washington state resident when she made contributions to a traditional IRA. Her contributions were deducted on her federal return. Because Washington doesn't have a state income tax, she didn't pay state income tax on the contributions. Last year she became an Oregon resident, and this year she started taking distributions from her IRA account. Harley can't take the subtraction because her contributions weren't previously taxed by another state.

Example 4: Bill was a California resident when he made contributions to a Roth IRA. The contributions were not deducted on his federal or California returns. Bill is 65 years old and became an Oregon resident last year. He began taking distributions this year from the Roth IRA account, which he held for more than five years. Because he meets the age and holding requirements for his Roth IRA, his distributions aren't included in his federal income. He can't take the subtraction because the income isn't included in his federal AGI, it wasn't previously taxed by the other state, and it wasn't deducted on his federal return.

For additional examples, see OAR 150-316-0230.

Previously taxed IRA conversions [ORS 316.680(1)(f)]

[Subtraction code 348]

Oregon allows a subtraction for converting a traditional IRA to a Roth IRA, if the IRA is taxed by another state. You must include the payments in federal taxable income to claim the subtraction.

Example: Susan lived in New York in March of last year, when she converted her \$100,000 traditional IRA to a Roth IRA. In September, she moved to Oregon. New York state will tax her IRA when she becomes a nonresident. Susan can subtract the amount included in federal income when she files her Oregon tax return.

Psilocybin business expenses [ORS 316.680(1)(j)]

[Subtraction code 385]

Did you operate a business as a manufacturer or seller of psilocybin products, an operator of a psilocybin service center, or a facilitator of psilocybin services licensed by the Oregon Health Authority (OHA) under ORS Chapter 475A? If so, you may subtract certain business expenses on your Oregon return that you can't deduct on your federal return due to IRC Section 280E.

IRC Section 280E keeps you from deducting business expenses on your federal return, other than the cost of goods sold, if your business involves the cultivation, manufacture, distribution, or sale of certain controlled substances. Oregon law, however, allows a subtraction for the same ordinary and necessary expenses you incur for your business that are allowed for other types of businesses operating in this state. If the expense would have been allowed for federal purposes, but your business falls within the Controlled Substances Act (21 U.S.C. Sections 801 et seq.), you are allowed a subtraction on your Oregon return.

See the instructions for the appropriate federal schedule for determining the net income from your business to be reported on your federal return. The schedule showing income after allowable federal deductions is submitted with your federal return. Complete a second Oregon-only schedule to determine the expense amount you can subtract on your Oregon return. Report this amount on Schedule OR-ASC, Section B or Schedule OR-ASC-NP, section C. Keep the Oregon-only schedule with your tax records.

Example 1: Doug has a business licensed by the OHA to manufacture and sell psilocybin products to licensed

psilocybin service centers. His gross sales for the year totaled \$100,000. After deducting \$20,000 in cost of goods sold, his gross profit was \$80,000, which he reported as business income on his federal Schedule C.

Along with paying the cost of the goods he sold, Doug had other ordinary and necessary business expenses. He completed a second Schedule C for Oregon only and determined that his expenses, other than cost of goods sold, totaled \$15,000. He claimed this amount as a subtraction on Schedule OR-ASC.

Example 2: Eleanor grows mushrooms containing psilocybin in her basement and sells them to her friends. This year, she made \$40,000 from these sales. She spent \$3,000 on cost of goods sold during the year, and another \$15,000 in other ordinary and necessary business expenses. Eleanor doesn't have a license to manufacture or sell psilocybin products in Oregon, but she must file federal and Oregon tax returns to report her income. On her federal return, she must report \$40,000 in gross income and can deduct \$3,000 for the cost of the goods she sold. She can't deduct her other business expenses on her federal return. Eleanor also can't take an Oregon subtraction for those other business expenses because she doesn't have a license issued by the OHA.

PTE-E tax refund included on entity-level federal return (ORS 305.100)

[Subtraction code 387]

If you're a member of a PTE that made the election to pay Oregon's PTE-E tax for a prior year, you may be able to claim this subtraction if:

- The PTE deducted the PTE-E tax on its federal return;
- You reported an addition for your distributive share of the deducted amount on your own return;
- The PTE later received a refund of some or all of the deducted PTE-E tax; and
- You included some or all of your distributive share of the refunded tax in your federal taxable income.

Your subtraction is limited to the amount of the refund that you included on your federal return.

Public Safety Memorial Fund award [ORS 316.680(1)(g)]

[Subtraction code 329]

Amounts awarded to you by the Public Safety Memorial Fund Board may be subtracted from Oregon income. The award must be included in federal taxable income to claim the subtraction.

Public Safety Memorial Fund Awards are for public safety officers with certain job-related permanent total disabilities. These awards are also available to family members of a public safety officer who is killed in the line of duty or while interceding in a crime.

Railroad Retirement Board benefits (ORS 316.054)

[Subtraction code 330]

The Railroad Retirement Act of 1974 prohibits states from taxing certain railroad benefits. This act pertains to all benefits issued by the **Railroad Retirement Board (RRB)**. Oregon allows a subtraction for Tier 1 RRB benefits (the same as for Social Security benefits). The subtraction has been extended by administrative rule to the other supplemental RRB benefits including Tier 2, windfall, vested dual, supplemental annuities, unemployment, and sickness (OAR 150-316-0065).

Tier 1 benefits. Tier 1 benefits are reported like Social Security on your federal return. Subtract these benefits with Social Security on the Oregon return.

Tier 2, windfall, vested dual, supplemental annuities, unemployment and sickness paid by the RRB. These benefits are reported as wages or on the private pension line of your federal return. Subtract these benefits on Schedule OR-ASC, section B or Schedule OR-ASC-NP, section C.

Other benefits. A retired railroad employee may receive other retirement benefits from their employer. Benefits paid by private railroad employers are private pensions taxed the same on both the federal and Oregon returns. There is **no Oregon subtraction** for retirement benefits paid by private railroad employers.

Only benefits paid by the RRB qualify for the subtraction. RRB benefits are reported on Form 1099, except for sickness benefits, which are reported on Form W-2. All 1099s issued by the RRB, other than 1099-G for RRB unemployment benefits, are labeled **Form RRB-1099-R**. More information on RRB benefits is available on the board's website at www.rrb.gov.

Scholarship awards used for housing expenses (ORS 316.846)

[Subtraction code 333]

You can subtract scholarships used for housing expenses from Oregon income. You must include the scholarship in federal taxable income for the year to claim the subtraction.

You can claim the subtraction if the scholarship was awarded to you or your dependent. You can subtract

only the amount used for housing expenses for the scholarship recipient. The recipient must attend an accredited community college, college, university, or other institution of higher education.

You must reduce your subtraction if you're claiming the same housing expenses as a deduction on your return. Your subtraction can't be more than the amount of scholarship income included in federal taxable income. There is no carryforward allowed.

Social Security benefits (ORS 316.054)

Oregon doesn't tax Social Security benefits. Any Social Security benefits included in your federal AGI are subtracted on your Oregon return.

Special Oregon medical (ORS 316.693)

[Subtraction code 351]

You may qualify for the special Oregon medical subtraction if:

- You or your spouse turned 66 by the end of the tax year;
- Your federal AGI doesn't exceed \$200,000 (\$100,000 if your filing status is single or married filing separately); and
- You or your spouse have qualifying medical or dental expenses.

Medical or dental expenses qualify if they can be included in itemized deductions. See IRS Publication 502, *Medical and Dental Expenses*, to see which expenses qualify.

You can't subtract expenses:

- For anyone under age 66;
- For dependents, regardless of their age; or
- That are deducted elsewhere on your return.

Table 11. Special Oregon medical subtraction—maximum amount

If your filing status is:	And your federal adjusted gross income from Form OR-40, line 7 or Form OR-40-N or OR-40-P, line 29F is:		Then your maximum allowable medical subtraction per qualifying taxpayer is:
	at least—	but less than—	
Married filing jointly, Head of household, Qualifying surviving spouse	0	\$50,000	\$1,800
	\$50,000	\$100,000	\$1,400
	\$100,000	\$200,001	\$1,000
	\$200,001 or more		0

Single or Married filing separately	0	\$25,000	\$1,800
	\$25,000	\$50,000	\$1,400
	\$50,000	\$100,001	\$1,000
	\$100,001 or more		0

The maximum amount you can subtract for each qualifying person is shown in Table 11. Use the table and the **Special Oregon medical subtraction worksheet** to determine the amount of your subtraction.

Shared expenses. Did you have medical and/or dental expenses for more than one person? If so, you must determine which expenses belong to each qualifying taxpayer. Start by totaling all expenses for each qualifying taxpayer. If you have expenses that are for more than one person, such as premiums for a shared insurance policy, split the expenses by the most reasonable method. A reasonable method for splitting the shared costs of an insurance policy includes splitting the total cost of the policy by the number of individuals covered. For example, divide the premiums for an insurance policy covering two adults by two. If the number of children covered on an insurance policy doesn't affect the price of the policy, it's reasonable to count all children on the policy as one individual. For example, the cost of insurance premiums for a policy covering two adults and four children can be divided by three.

Example 1: Chloe and Sam were ages 67 and 62 at the end of the tax year. They filed a joint return with one dependent (Sam's mother), federal AGI of \$55,000, and itemized deductions for Oregon. During the tax year they paid \$5,700 in medical expenses. Of that, they paid \$1,300 for Chloe's expenses and \$1,100 for Sam's expenses. They also paid \$1,300 for Sam's mother and \$2,000 in premiums for a joint insurance policy for Chloe and Sam. Only Chloe's expenses of \$2,300 (\$1,300 + \$1,000 for half of the insurance premiums) qualify for the special Oregon medical subtraction because Sam doesn't meet the age requirement and Sam's mother is a dependent.

Example 2: Peter turned 66 during the tax year. He's self-employed and itemizes his deductions for Oregon. Peter claimed \$3,200 in medical expenses on Schedule OR-A. He also deducted 100 percent of his self-employed health insurance premiums, totaling \$2,500, on his federal return. Only the \$3,200 in medical expenses Peter claimed on Schedule OR-A will be used to calculate his special Oregon medical subtraction because they haven't been fully deducted. The worksheet will help him calculate the amount of his subtraction.

Special Oregon medical subtraction worksheet instructions

Line 1: Enter each person's qualifying medical and dental expenses that you're claiming as itemized deductions

on Schedule OR-A. Enter your expenses in column (A) and your spouse's expenses in column (B). If you're not including medical expenses in your Oregon itemized deductions or you're claiming the standard deduction on your Oregon return, skip lines 2–4, enter the amount from line 1 on line 5, and go to line 6.

Line 2: Enter the total medical and dental expenses you're claiming as an itemized deduction (Schedule OR-A, line 1), even if they are for a spouse or dependent whose expenses don't qualify.

Line 3: Line 1 divided by line 2. Round to three decimal places. For example, 0.7308 is rounded to 0.731.

Line 4: Enter the lesser of the amount you entered on line 2, above, or the amount on line 3 of your Schedule OR-A.

Line 5: Multiply line 3 by line 4 and round to whole dollars. (For example: \$101.49 is rounded to \$101.)

Line 6: Enter the maximum allowable medical subtraction for your filing status and federal AGI from Table 11. Don't enter more than \$1,800 in each column.

Line 7: Enter the smaller of line 5 or line 6.

Line 8: Combine the amounts from line 7, columns (A) and (B). This is your special Oregon medical subtraction.

Full-year residents. Enter the amount from line 8 on Schedule OR-ASC, section B.

Part-year residents and nonresidents. Enter the full amount from line 8 on both the federal and Oregon lines on Schedule OR-ASC-NP, section C.

Special Oregon medical subtraction worksheet:

	Column (A) You	Column (B) Spouse
1. Medical and dental expenses for each qualifying taxpayer.	1. \$ _____	\$ _____
2. Total medical and dental expenses claimed (Schedule OR-A, line 1).	2. \$ _____	\$ _____
3. Line 1 divided by line 2. Round to three decimal places.	3. _____	_____
4. Enter the smaller of line 2, above, or Schedule OR-A, line 3.	4. \$ _____	\$ _____
5. Line 3 multiplied by line 4. Round to the nearest dollar.	5. \$ _____	\$ _____
6. Maximum allowable medical subtraction from Table 11.	6. \$ _____	\$ _____

7. Enter the smaller of line 5 or line 6. 7. \$ _____ \$ _____
8. Combine the amounts from line 7, columns (A) and (B). This is your special Oregon medical subtraction. 8. \$ _____

Example 3: Leah and Tyler are ages 67 and 61 at the end of the tax year. They file a joint return with federal AGI of \$45,000 and itemize their deductions for Oregon. During the year, they paid \$4,700 in medical and dental expenses claimed on Schedule OR-A, line 1. Of that, \$1,600 are Leah's expenses, \$2,000 are Tyler's expenses, and \$1,100 are premiums for a medical insurance policy covering both of them. Only Leah's expenses qualify for the special Oregon medical subtraction because only she met the age requirement. Leah's expenses are \$1,600 plus \$550 for her share of the premiums for a total of \$2,150. Leah and Tyler will use the special Oregon medical subtraction worksheet to calculate their subtraction as follows:

	Column (A) Leah	Column (B) Tyler
1. Medical and dental expenses for each qualifying taxpayer.	1. \$ <u>2,150</u>	\$ _____
2. Total medical and dental expenses claimed (Schedule OR-A, line 1).	2. \$ <u>4,700</u>	\$ _____
3. Line 1 divided by line 2. Round to three decimal places.	3. <u>0.457</u>	_____
4. Enter the smaller of line 2, above, or Schedule OR-A, line 3.	4. \$ <u>3,375</u>	\$ _____
5. Line 3 multiplied by line 4. Round to the nearest dollar.	5. \$ <u>1,542</u>	\$ _____
6. Maximum allowable medical subtraction from Table 11.	6. \$ <u>1,800</u>	\$ _____
7. Enter the smaller of line 5 or line 6.	7. \$ <u>1,542</u>	\$ _____
8. Combine the amounts from line 7, columns (A) and (B). This is your special Oregon medical subtraction.	8. \$ <u>1,542</u>	_____

Leah and Tyler will claim \$1,542 on Schedule OR-ASC.

Example 4: Kenneth and Sophia were both age 66 at the end of the tax year. They file a joint return with federal AGI of \$78,000. Kenneth and Sophia had \$12,300 in unreimbursed medical and dental expenses during the year. They are self-employed and claimed \$3,400 for self-employed health insurance premiums on their federal return. They claimed the remaining \$8,900 on line 1 of Schedule OR-A. Of this amount, \$1,200 was for Kenneth's expenses and \$7,700 was for Sophia's expenses. Kenneth and Sophia calculate their special Oregon medical subtraction as follows:

	Column (A) Kenneth	Column (B) Sophia
1. Medical and dental expenses for each qualifying taxpayer.	1. \$ <u>1,200</u>	\$ <u>7,700</u>
2. Total medical and dental expenses claimed (Schedule OR-A, line 1).	2. \$ <u>8,900</u>	\$ <u>8,900</u>
3. Line 1 divided by line 2. Round to three decimal places.	3. <u>0.135</u>	<u>0.865</u>
4. Enter the smaller of line 2, above, or Schedule OR-A, line 3.	4. \$ <u>5,850</u>	\$ <u>5,850</u>
5. Line 3 multiplied by line 4. Round to the nearest dollar.	5. \$ <u>790</u>	\$ <u>5,060</u>
6. Maximum allowable medical subtraction from Table 11.	6. \$ <u>1,400</u>	\$ <u>1,400</u>
7. Enter the smaller of line 5 or line 6.	7. \$ <u>790</u>	\$ <u>1,400</u>
8. Combine the amounts from line 7, columns (A) and (B). This is your special Oregon medical subtraction.	8. \$ <u>2,190</u>	

Because Kenneth and Sophia were able to deduct the entire amount of their self-employed health insurance premiums on their federal return, they don't include that amount in the calculation for their special Oregon medical subtraction. Their subtraction is limited to the lesser of the amount allowed from the table for each individual, or their own medical expenses that haven't been previously deducted. Kenneth and Sophia's subtraction is \$2,190 (\$790 of Kenneth's expenses that haven't been previously deducted, and \$1,400, the maximum amount allowed Sophia).

Example 5: Margaret is age 67 at the end of the tax year. She's single and has a federal AGI of \$27,000. During

the year, Margaret paid \$1,200 in qualifying medical expenses for herself, and \$1,600 in medical expenses for her dependent 9-year-old granddaughter. Margaret doesn't itemize her deductions because her standard deduction is greater than her itemized deductions for Oregon. Margaret uses the worksheet to calculate her special Oregon medical subtraction as follows:

	Column (A) Margaret	Column (B) Spouse
1. Medical and dental expenses for each qualifying taxpayer.	1. \$ <u>1,200</u>	\$ _____
2. Total medical and dental expenses claimed (Schedule OR-A, line 1).	2. \$ _____	\$ _____
3. Line 1 divided by line 2. Round to three decimal places.	3. _____	_____
4. Enter the smaller of line 2 above, or Schedule OR-A, line 3.	4. \$ _____	\$ _____
5. Line 3 multiplied by line 4. Round to the nearest dollar.	5. \$ <u>1,200</u>	\$ _____
6. Maximum allowable medical subtraction from Table 11.	6. \$ <u>1,400</u>	\$ _____
7. Enter the smaller of line 5 or line 6.	7. \$ <u>1,200</u>	\$ _____
8. Combine the amounts from line 7, columns (A) and (B). This is your special Oregon medical subtraction.	8. \$ <u>1,200</u>	

The medical expenses paid by Margaret for her 9-year-old granddaughter don't qualify for the subtraction because she is a dependent.

Example 6: Same as Example 5, except that Margaret isn't an Oregon resident. She enters \$1,200 on both the federal and Oregon lines of Schedule OR-ASC-NP, section C.

State and local government bond interest (ORS 316.056, 381.740)

[Subtraction code 317]

You can subtract interest or dividends on obligations of counties, cities, districts, ports, or other public or municipal corporations or political subdivisions of Oregon to the extent included for federal income

tax purposes. You can also subtract interest paid on bonds issued by the State of Oregon to the extent included for federal income tax purposes.

You can also subtract interest paid on bonds issued by an interstate bridge commission formed along the border of Oregon and Washington to the extent included for federal income tax purposes.

Related expenses

You must reduce your subtraction if you’re including interest you paid on debt incurred to carry the obligations or securities or other expenses incurred in the production of income from these obligations in your Oregon itemized deductions on Schedule OR-A.

Taxable benefits for former RDPs (ORS 314.023, OAR 150-316-0009)

[Subtraction code 347]

If you and your RDP were legally married or dissolved your partnership during the year, you may be allowed an Oregon subtraction for:

- The imputed value of certain fringe benefits provided by your employer for your RDP for the part of the year you were still registered domestic partners.
- The transfer of funds from your former domestic partner upon a dissolution decree.

The fringe benefits typically include, but aren’t limited to, health insurance and tuition payments. You must have included the imputed value of the benefits in your federal income to claim the Oregon subtraction. The imputed value will be included in the total compensation (Box 1) shown on your Form W-2.

The transfer of funds typically include, but aren’t limited to, retirement funds. You must have included these amounts in your federal income to claim the Oregon subtraction.

Example: Ruth and Jan entered into an RDP eight years ago. They were legally married on June 16 of this tax year. Ruth and Jan must file this year’s tax return as married filing jointly for both federal and Oregon purposes. They won’t file an “as-if” federal return. Instead, they will attach their actual federal return to their Oregon return. Ruth’s employer provides health insurance benefits for Jan, and the imputed value of those benefits were included in Box 1 of Ruth’s W-2 for the portion of the year that Ruth and Jan weren’t married (January 1 through June 15). Ruth may claim a subtraction for the value of the imputed benefits included in federal income, as reported on her W-2.

U.S. government interest in IRA or Keogh distributions (ORS 316.681)

[Subtraction code 331]

Interest and dividends on U.S. bonds and notes are exempt from state tax. See “Interest and dividends on U.S. bonds and notes.” Answer these questions to see if you have a subtraction on your Oregon return for exempt income related to your retirement distributions:

1. Did you have any distributions from a self-employed retirement plan or an IRA?
2. Was any part of your self-employed retirement plan or your IRA invested in U.S. bonds and notes?
3. Did you include your self-employed retirement plan or IRA distribution in your 2025 federal AGI?

If you answered “yes” to all the questions above, you may take a subtraction on Schedule OR-ASC or OR-ASC-NP for the retirement plan exempt earnings included in your distribution.

You may use any reasonable method to determine your subtraction amount, such as the worksheet shown in the example here or in OAR 150-316-0525. Keep a statement showing how you figured your subtraction amount with your records; we may ask for it later.

Example: Donna retired last year and began taking distributions of \$10,000 each year from her IRA. The IRA is invested in U.S. government securities so Donna uses the following information to calculate her subtraction for years 1 and 2:

	Year 1	Year 2
Current year earnings	\$4,000	\$5,000
Current year distribution	\$10,000	\$10,000
Account balance at 12/31	\$100,000	\$95,000
Total exempt earnings on account at 12/31	\$ 40,000	\$45,000

Worksheet	Year 1	Year 2
1. Total account balance at year end.	\$100,000	\$95,000
2. Current year distribution.	+ 10,000	+ 10,000
3. Line 1 plus line 2.	<u>\$110,000</u>	<u>\$105,000</u>
4. Total exempt earnings on account at year end.	\$ 40,000	\$45,000
5. Total exempt part of distributions from all prior years.	— 0	— \$3,636
6. Line 4 minus line 5, but not less than zero.	<u>\$40,000</u>	<u>\$41,364</u>
7. Line 6 divided by line 3. Oregon exempt ratio.	<u>0.3636</u>	<u>0.3939</u>

8. Line 2 multiplied by line 7. Oregon exempt portion of current year's distribution. \$3,636 \$3,939

Wildfire civil action legal fees (Or Laws 2024, ch 50, § 3)

[Subtraction code 313]

If you paid legal fees as a plaintiff in litigation related to a qualified wildfire and would have been able to deduct those fees as a miscellaneous itemized deduction on your federal return under IRC Sections 63(d) and 67, as in effect on December 21, 2017, you may subtract those fees on your Oregon return.

A qualifying wildfire is a wildfire that meets one of the following conditions:

- Is the subject of a state of emergency declared by the Governor;
- Occurs in an area subject to an executive order of the Governor invoking the Emergency Conflagration Act; or
- Is a federally declared disaster, whether located within Oregon or elsewhere.

The declaration or executive order relating to the wildfire must have been issued on or after January 1, 2018, and before January 1, 2026, to qualify.

You can claim the subtraction even if you don't itemize deductions on your return. The subtraction is limited to the amount of legal fees that exceed 2 percent of your federal AGI.

Wildfire civil action settlement or judgment (Or Laws 2024, ch 50, § 2)

[Subtraction code 312]

If you received income from a judgment or settlement of a civil action arising from a qualifying wildfire during the tax year, you may subtract that amount from your Oregon taxable income. You may only subtract amounts that are included in your federal AGI, and the amounts cannot be compensation for losses, expenses, or other damages for which you already received compensation through insurance or other means. If you were able to claim a deduction or a credit on your federal return for the income, or if the income wasn't included on your federal return because it was exempt from taxation, you can't subtract it on your Oregon return.

A qualifying wildfire is a wildfire that meets one of the following conditions:

- Is the subject of a state of emergency declared by the governor;
- Occurs in an area subject to an executive order of the governor invoking the Emergency Conflagration Act; or
- Is a federally declared disaster, whether located within Oregon or elsewhere.

The declaration or executive order relating to the wildfire must have been issued on or after January 1, 2018, and before January 1, 2026, to qualify.

Other items

Net operating losses (NOLs) (ORS 316.028)

[Addition code 116] [Subtraction code 321]

An Oregon NOL is figured the same as in IRC Section 172(c). You may have an Oregon NOL without having a federal NOL, or vice versa. Your Oregon NOL is computed under the federal method and definitions using Oregon sources **without** Oregon modifications, additions, and subtractions. The only Oregon modification necessary is to subtract prohibited amounts.

Oregon doesn't allow an NOL from a non-Oregon source that occurred while you were a nonresident.

Prohibited amounts

Amounts Oregon is prohibited from directly or indirectly taxing include interest earned from Treasury bonds, Treasury notes, and other obligations of the United States.

Federal depreciation disconnect

If you had an NOL in 2009 or 2010 and also claimed depreciation or expensing not allowed by Oregon, your future year subtractions are reduced by the amount already included in the NOL. See **"Depreciation difference for Oregon."**

Computation of the NOL

Full-year residents. Generally, the computation of the Oregon NOL for a resident is the same as the federal NOL, except for the prohibited amount modification. (See **Prohibited amounts** above.)

The computation of the Oregon NOL begins with federal AGI. Reduce AGI by federal exemptions, federal deductions, and the prohibited amount modification to arrive at the modified Oregon taxable income (OTI). Then adjust the modified OTI as required by IRC Section 172(d).

Required adjustments are:

1. Oregon NOL deduction (NOLD) from prior years included in Oregon income after adjustments.
2. Net Oregon capital loss deduction.
3. Federal personal exemption amount (this will be \$0 through tax year 2025).
4. Excess of nonbusiness deductions over nonbusiness income included in modified Oregon taxable income.

Example 1: Maria and Jaime filed joint federal and Oregon tax returns for 2025. On their federal return, they reported wages of \$56,000, a business loss of \$80,000, a gain on the sale of stock of \$500, and interest income of \$900 from a bank. They reported total itemized deductions of \$34,000, which were all non-business, and included \$4,000 in Oregon withholding.

On their Oregon return, Maria and Jaime reported an addition of \$500 of municipal bond interest from California that was exempt from federal income tax. Their Oregon NOL is computed as follows:

Federal tax return

Wages	\$ 56,000
Interest income	900
Schedule C loss	(80,000)
Schedule D stock gain	500
Federal AGI	(\$ 22,600)
Personal exemptions	0
Schedule A deductions	(34,000)
Federal taxable income	(\$ 56,600)

Computation of Oregon NOL

Federal AGI	(\$ 22,600)
Personal exemptions	0
Schedule A deductions	(34,000)
Modified Oregon taxable income	(\$ 56,600)
Adjustments:	
Personal exemptions	0
Nonbusiness deductions	34,000
Nonbusiness income	(1,400)
Nonbusiness deductions in excess of nonbusiness income	32,600
Oregon NOL	(\$ 24,000)

Note: The \$500 in California municipal bond interest and the \$4,000 in Oregon withholding aren't used in this calculation.

Compute the Oregon NOL based on federal NOL methods and definitions. Use Oregon sources without Oregon adjustments (modifications, additions, and subtractions), except for prohibited amounts.

Example 2: Use the same facts as in Example 1, except the \$900 interest is from U.S. government securities (a prohibited amount). The Oregon NOL for Maria and Jaime is computed as follows:

Federal tax return

Wages	\$ 56,000
Interest from U.S. government securities	900
Schedule C loss	(80,000)

Schedule D stock gain	500
Federal AGI	(\$ 22,600)
Personal exemptions	0
Schedule A deductions	(34,000)
Federal taxable income	(\$ 56,600)

Computation of Oregon NOL

Federal AGI	(\$ 22,600)
U.S. government interest	(900)
Personal exemptions	0
Schedule A deductions	(34,000)
Modified Oregon taxable income	(\$ 57,500)
Adjustments:	
Personal exemptions	0
Nonbusiness deductions	34,000
Nonbusiness income	(1,400)
Excess nonbusiness deductions	32,600
Oregon NOL	(\$ 24,900)

Note: U.S. government interest, a prohibited amount, isn't used to compute an Oregon NOL.

Oregon NOL carryover or carryback. With the exception of farming NOLs (see below), Oregon follows the IRS carryover and carryback laws in IRC Section 172, although prohibited amounts aren't taken into consideration. If you make an election to carry an NOL back for federal purposes, but you weren't required to file an Oregon return for the carryback year, carry

the Oregon NOL to the year the loss may first be applied.

You aren't allowed an NOL carryback or carryover on an Oregon return if the loss was incurred while you were a nonresident and wasn't attributable to Oregon sources. If your Oregon NOL is less than your federal NOL, report the difference as an addition on Schedule OR-ASC, Section A, or Schedule OR-ASC-NP, Section B. For more information, see IRS Publication 536, *Net Operating Losses (NOLs) for Individuals, Estates, and Trusts*.

Exception for farming NOLs. Starting with losses arising in 2023, you can elect to carry an Oregon farming NOL back to any of the prior three years, instead of the two years allowed by IRC Section 172. However, if you make this election, you must add back any federal NOLD on your Oregon return that you carried to the same year before you deduct the farming NOLD.

Part-year residents and nonresidents. You're allowed an Oregon NOL if it's generated from Oregon sources. Use the federal method without modifications except for prohibited amounts. Computing an Oregon NOL begins with "income after adjustments" from the Oregon column. Reduce this amount by federal exemptions and deductions (attributable to Oregon sources) to arrive at the modified OTI. Then adjust the modified OTI as required by IRC Section 172(d). The required adjustments are the same as those listed for full-year residents.

Example 3: In 2024, while they were residents of California, Robin and Valerie incurred losses from an Oregon partnership creating an \$85,000 Oregon-only NOL. The next year, Robin and Valerie move to Oregon and file a part-year Oregon return. They report federal income after adjustments of \$385,000, Oregon income after adjustments of \$235,000, and federal itemized deductions of \$72,000 that aren't subject to AGI limits. Using the federal NOL rules, they determine that their NOL carryover is less than 80 percent of their taxable income before the loss is applied. Robin and Valerie calculate their Oregon taxable income as follows:

	Federal	Oregon
Income after adjustments	\$ 385,000	\$ 235,000
NOLD	(85,000)	(85,000)
Modified income after adjustments	\$ 300,000	\$ 150,000
Additions per Oregon return	7,000	7,000
Subtractions per Oregon return	(2,000)	(2,000)
Modified income after subtractions	\$ 305,000	\$ 155,000
Oregon percentage: $155,000 \div 305,000 = 50.8\%$		
Less: Standard or itemized deductions recomputed for revised federal AGI	(72,000)	
Federal tax subtraction	-0-*	
Oregon taxable income as revised	\$ 233,000	

*The federal tax subtraction is \$0 when federal AGI is \$290,000 or more for joint filers.

Example 4: Leslie and Jill live in Vancouver, Washington. Leslie operates a business in Oregon. Leslie and Jill filed a nonresident Oregon return for 2024 reporting an Oregon-only NOL of \$6,000. Leslie and Jill carried the NOL over to 2025. In 2025, Leslie and Jill report Oregon income after adjustments of \$1,600, federal income after adjustments of \$32,000, and their Oregon percentage is 5 percent ($\$1,600 \div \$32,000$). Their income after

adjustments for both federal and Oregon includes a \$2,000 capital loss on the sale of some Oregon property. They are claiming the federal standard deduction, and have Oregon itemized deductions of \$13,200. Leslie and Jill calculate their NOLD and the carryover to the next year as follows:

NOL carried forward from 2024		(\$6,000)
Oregon income after adjustments	\$1,600	
Add: Oregon capital loss deduction	<u>2,000</u>	
Modified Oregon income as revised		\$3,600
Less: Prohibited amounts		(0)
Oregon percentage of standard or itemized deductions recomputed for revised federal AGI (0.05 x \$13,200)		<u>(660)</u>
Modified Oregon taxable income		\$2,940
Multiply by 80 percent (federal limitation)		<u>x 0.80</u>
Limit for NOLD		2,352
Carryover of NOL available for next year		<u>(\$3,648)</u>

NOL as a subtraction. Generally, your NOL carryback and carryover amounts will be reflected in your federal AGI. However, if you have an NOL carryback or carryover for **Oregon only**, the loss won't be reflected in your federal AGI; in that case, claim your carryback or carryover as a subtraction on Schedule OR-ASC, Section B, or Schedule OR-ASC-NP, Section C.

Example 5: Same facts as Example 4. For federal purposes, Leslie and Jill's NOL will be entirely absorbed in 2025. The \$3,648 that is available to be carried forward to their 2026 return won't be reflected in their 2026 federal AGI. They'll compute the NOLD amount for 2026 as they did for 2025, and claim the allowable amount as a subtraction on Schedule OR-ASC-NP.

Depreciation difference for Oregon (ORS 316.707, 316.716, 316.739)

[Addition code 152] [Subtraction code 354]

Your Oregon depreciation or amortization deduction is generally the same as for federal purposes. It won't be the same in the following cases:

- You transferred property into Oregon's taxing jurisdiction.
- The asset was placed in service in tax years beginning on or after January 1, 1985, and you took a corresponding tax credit on your federal return that isn't available on the Oregon return.
- Assets were placed in service between 1981 and 1985 (Accelerated Cost Recovery System [ACRS] assets), and you didn't make the adjustment aligning Oregon basis with federal basis for them. If you made the adjustment on your 1996 tax return, there won't be a depreciation difference.
- The asset was placed in service during tax years 2009 or 2010 and you claimed bonus depreciation or additional expensing under IRC Sections 168(k) or 179. For tax years 2009 and 2010, Oregon generally allowed the same expensing of qualifying assets under IRC Sections 168(k) and 179 as allowed under **2008** federal law. Because of this disconnect an addition is required, leaving a higher adjusted basis for Oregon to be depreciated over the life of the asset. Most taxpayers with an addition for this

disconnect in 2009 or 2010 will have future year subtractions over the remaining life of the asset.

NOL and federal depreciation disconnect. Your Oregon NOL is the same as your federal NOL. Therefore if you had an NOL in 2009 or 2010 and also claimed depreciation or expenses not allowed by Oregon, your future year subtractions are reduced by the amount already included in the NOL.

Oregon Depreciation Schedule. Use Schedule OR-DEPR to determine if your Oregon depreciation is the same as, or different from, your federal depreciation.

Oregon depreciation on all property	–	Federal depreciation on the same property	=	Oregon difference in depreciation
--	---	---	---	---

Oregon subtraction. If your Oregon depreciation is more than your federal depreciation on the same property, you'll have a subtraction (subtraction code 354) for the difference.

Oregon addition. If your Oregon depreciation is less than your federal depreciation on the same property, you'll have an addition (addition code 152) for the difference.

Go to our website to download Schedule OR-DEPR, or contact us to order it.

Federal depreciation disconnect

[Addition code 153]

This addition is used for reporting a difference in federal and Oregon depreciation deductions due to a new

change in federal law from which Oregon has disconnected. As of the date this publication was last revised, Oregon had not disconnected from any new federal depreciation expense provisions for this tax year.

If your depreciation expense deduction for Oregon differs from federal for reasons other than a new federal disconnect, see “Depreciation difference for Oregon” and Schedule OR-DEPR Instructions.

Partnership and S corporation modifications for Oregon (ORS 314.712-314.752)

[Addition code 119] [Subtraction code 323]

If you received Schedule OR-K-1 from a PTE (partnership, S corporation, or LLC filing as either), then you may have Oregon modifications or credits that flow through to your Oregon return. Your modification or credit is based on the total for the business multiplied by your ownership percentage, which should have been calculated by the business.

If the PTE provided you with a specific code for an Oregon addition or subtraction, use that code. Otherwise, use the above codes to identify the addition or subtraction.

If the PTE operates both in and out of Oregon, it has an apportionment percentage for the year. This percentage shows how much of the PTE’s income was from Oregon sources. If you were a nonresident for all or part of the year, this percentage should appear on your Schedule OR-K-1, since it shows you how much of the income from your business is Oregon source. The PTE should have already multiplied your share of Oregon additions and subtractions by the PTE’s apportionment percentage.

Business tax credits. Oregon credits that flow through may be required to be multiplied by your Oregon percentage on your part-year or nonresident return. See “Credits” for requirements.

CPAR adjustments (ORS 314.733)

[Addition code 187] [Subtraction code 384]

If you’re an owner of a partnership that was subject to a partnership-level audit by the IRS (or you’re an owner of a tiered partner of such a partnership), and the partnership doesn’t elect to pay the CPAR tax, you must file an original or amended return for the adjusted year. Report an increase in income using addition code 187 or report a decrease in income using subtraction code 384, whichever is applicable. Use these codes even if another code is assigned for

the specific type of increased or decreased income. See “CPAR tax” in “Oregon tax” or visit our website for more information.

Basis of business assets transferred into Oregon (ORS 316.707)

[Addition code 150] [Subtraction code 358]

There are several ways that nonresidents can bring assets into Oregon’s taxing jurisdiction. For example:

- You become an Oregon resident and transfer business assets into Oregon.
- You become an Oregon resident and leave the assets in the other state.
- You open a business in Oregon and transfer business assets into Oregon.

Did you transfer business assets into Oregon? If so, the basis for Oregon depreciation will be either the federal unadjusted basis or fair market value at the time of transfer, whichever is smaller.

The federal unadjusted basis is the original cost before adjustments. Adjustments include reductions for investment tax credits, depletion, amortization, depreciation, or amounts expensed under IRC Section 179. The fair market value and useful life are figured when you bring the asset into Oregon.

Reduce the federal unadjusted basis or the fair market value of the asset by any Oregon depreciation previously allowed.

Example: Bob was a California resident. He has owned a business in Yreka, California since 2000. Bob bought an office building in Yreka for \$800,000. He placed it in service March 1, 2001. For federal purposes, the building is 31½-year real property and is being depreciated using the applicable percentages. On January 1, 2021, Bob bought a truck for \$45,000. For federal purposes, the truck is five-year property and is being depreciated using the applicable percentages.

On January 1, 2025, Bob moved to Ashland, but he continues to operate his business in Yreka. At that time, the building had a fair market value of \$1,473,000, and the truck’s fair market value was \$27,000. Because Bob is an Oregon resident, he must determine his Oregon basis to depreciate his assets for Oregon. The Oregon adjusted basis is computed as follows:

Building

Smaller of:

Cost of building	
(federal unadjusted basis)	\$ 800,000
Less: Depreciation previously allowed for Oregon tax purposes	– _____ 0

Net basis	\$ 800,000
or	
Fair market value as of January 1, 2025	\$1,473,000
Less: Depreciation previously allowed for Oregon tax purposes	— 0
Oregon fair market value	\$1,473,000

Bob will depreciate the building for Oregon using the \$800,000 federal unadjusted basis and Modified Accelerated Cost Recovery System (MACRS) depreciation for its original federal applicable recovery period.

Truck

Smaller of:

Cost of truck (federal unadjusted basis)	\$ 45,000
Less: Depreciation previously allowed for Oregon tax purposes	— 0
Net basis	\$ 45,000
or	
Fair market value as of January 1, 2025	\$ 27,000
Less: Depreciation previously allowed for Oregon tax purposes	— 0
Oregon fair market value	\$ 27,000

Bob will depreciate the truck for Oregon using the \$27,000 Oregon fair market value and MACRS depreciation for its original applicable federal recovery period.

Gain or loss on sale of depreciable property with different basis for Oregon (ORS 316.716)

[Addition code 154] [Subtraction code 355]

Gain or loss on property you began depreciating after 1980 and before 1985. During the tax year, did you sell property you began depreciating after December 31, 1980, and before January 1, 1985? If you did and didn't make the one-time adjustment on your 1996 Oregon return, your gain or loss for Oregon may differ from your gain or loss for federal purposes. If you sold this property during the year, you must make an adjustment on your return to reconcile your Oregon basis to your federal basis.

To figure your gain or loss for Oregon, use the depreciation you claimed on your Oregon return in prior years. Subtract the total amount of gain or loss for Oregon property you began depreciating after 1980 and before 1985 from your gain or loss for federal purposes for the same property. The difference is an Oregon addition or subtraction. Keep a worksheet with your tax records to show how you figured the difference.

Addition or subtraction

If Oregon depreciation is less than your federal depreciation, you will have an Oregon subtraction. If Oregon depreciation is more than your federal depreciation, you will have an Oregon addition.

Partnerships and S corporations

Partnerships report differences between federal and Oregon depreciation on the Oregon partnership return. S corporations report the differences on Schedule SM of the Oregon S corporation return. The differences must also be shown on the partner's or shareholder's Schedule OR-K-1 or equivalent.

The differences will be added to or subtracted from income on the individual partner's or shareholder's Oregon income tax return.

Gain on the sale of an Oregon residence (ORS 316.048)

[Addition code 152] [Subtraction code 354]

Generally, Oregon will tax the gain from the sale of your residence only when the federal government taxes it. Oregon won't tax any gain excluded on your federal return. This is true even if you reinvest in a home outside Oregon.

The Oregon basis of your home is generally the same as your federal basis. If your gain is taxed by the federal government, Oregon will tax the same amount of gain.

Exception: If you were renting out a house and then converted it to your personal residence, the Oregon basis may not be the same as the federal basis due to depreciation differences.

Note: If you are also taxed by another state or country on some or all of the gain, see "Taxes imposed by other jurisdiction on mutually-taxed gain from sale of residence" under "Standard credits."

Fiduciary adjustment from Oregon estates and trusts (ORS 316.697)

[Addition code 133] [Subtraction code 310]

The same modifications that apply to an individual return also apply to an Oregon estate or trust return. Combined, this is called the fiduciary adjustment. If you're a beneficiary of an estate or trust, you must report your share of the fiduciary adjustment. This should be shown on the Schedule K-1 which you receive from the estate or trust. Report it on Schedule OR-ASC or OR-ASC-NP as an addition using code 133 or as a subtraction using code 310.

Example: Frank reported \$5,000 of trust income from R&C Farewell Trust on federal Schedule E. Of this, \$2,500 was from interest on U.S. obligations, which isn't taxable by Oregon. He also received interest income of \$1,000 from the trust that wasn't included in his federal income. This interest was from California bonds and is taxable by Oregon. Frank should claim a \$1,500 subtraction, the net of both fiduciary adjustment items, using subtraction code 310.

Part-year residents. Oregon taxes the fiduciary adjustment if it relates to Oregon income or if you were an Oregon resident on the last day of the trust's taxable year.

Nonresidents. Oregon taxes the fiduciary adjustment if it relates to Oregon income.

Passive activity losses (PALs) (ORS 314.300)

[Addition code 155] [Subtraction code 356]

Generally, a passive activity is any:

- Rental activity including equipment and real estate, regardless of your level of participation; or
- Business in which you don't materially participate on a regular, continuous, and substantial basis.

Oregon generally adopted the federal passive loss rules in the federal Tax Reform Act of 1986 and the Revenue Reconciliation Act of 1993. There are some differences in passive losses for Oregon.

How to compute and report passive losses for Oregon

1. Modify the federal passive loss by the applicable additions and subtractions listed under "Oregon modifications to federal passive activity losses."
2. Apply the federal passive loss limitations to the Oregon passive loss you computed in step 1 above. This will determine how much is deductible for Oregon. To apply the income limitations, use federal AGI before modifying for Oregon additions or subtractions.
3. Figure the difference between the passive loss reported on your federal return and the deductible Oregon loss you figured above. You will claim an addition or subtraction on your Oregon return.
4. Keep a schedule with your tax records showing your computations for steps 1, 2, and 3 above.
5. Also keep a schedule (when applicable) showing the allocation of Oregon modifications between the Oregon passive loss activities and other business activities.

Example: Depreciation modification. Elijah has determined that his depreciation for Oregon is more than

his federal depreciation by \$1,000. Ordinarily, he would report a \$1,000 subtraction on his Oregon return for the difference in depreciation.

Of the \$1,000 difference in depreciation, \$600 is allocable to passive activities and \$400 is allocable to other business activities. His Oregon passive activity loss is his federal passive activity loss increased by the \$600 difference in depreciation. He reports the remaining \$400 difference in depreciation allocable to other business activities as a subtraction on his Oregon return.

Passive activity credits. You can offset in full the tax credits related to a passive activity against your Oregon tax liability for the taxable year.

Active participants in rental real estate activities. The \$25,000 offset for rental real estate activities provided in IRC Section 469(i) applies to deductions allowed under federal and Oregon law. Don't reduce the offset by deduction equivalents defined in IRC Section 469(j)(5). The phaseout amounts (\$100,000/\$150,000) are based on **federal** AGI regardless of whether you are a full-year resident, part-year resident, or nonresident of Oregon.

Part-year residents. Compute your passive activity losses from activities carried on while an Oregon resident. Add those connected with Oregon sources while a nonresident. Modify the result by applicable additions and subtractions listed here.

Nonresidents. Compute your passive activity losses from activities connected with Oregon sources. Modify the loss by the applicable additions and subtractions listed here. The loss must be connected with Oregon sources even if you later become an Oregon resident.

Oregon modifications to federal passive activity losses

Listed here are **some** of the modifications you must make for Oregon:

1. Additions:

- Interest or dividends on obligations of another state.
- Depletion in excess of the adjusted basis of property.
- Gain on voluntary or involuntary conversions or exchanges of Oregon property reinvested outside Oregon when no election is made to defer it.

2. Subtractions:

- Gain or loss on the sale of public utility stock where dividends were reinvested.
- Interest or dividends on obligations of the U.S. government.
- Wages you didn't deduct from federal taxable income because you claimed the federal work opportunity credit.
- Interest or dividends on obligations of Oregon political subdivisions.

3. Additions or subtractions:

- Differences in depreciation.
- Differences in gain or loss from basis differences in the sale of an asset.

Note: Items used to modify the federal passive activity loss must occur in the ordinary course of a trade or business. See OAR 150-314-0110 for more information.

Suspended losses (ORS 316.048)

[Addition code 156] [Subtraction code 357]

Suspended losses are passive activity losses that must be carried over from the loss year to a later tax year. These losses may be used to offset gain when you dispose of your entire interest in the passive activity in a fully taxable transaction under IRC Section 469.

You may have an addition if the transaction is taxable by Oregon and a suspended loss was incurred while you were a nonresident. You may have a subtraction if the transaction is not taxable by Oregon but you were a resident during the year when the suspended loss was incurred.

See “Passive activity losses” for more information.

Oregon percentage (ORS 316.117)

Part-year residents and nonresidents must compute an Oregon percentage. This determines allowable deductions, modifications, Oregon tax, and some tax credits.

In most cases, you’ll divide your income after subtractions from the Oregon column by your income after subtractions from the federal column. Carry the decimal to three places and enter the figure on the Oregon percentage line. Don’t fill in more than 100 percent or less than 0.

Negative income. If the federal column is negative and the Oregon column is positive, your Oregon percentage is 100 percent. If the federal column is positive and the Oregon column is negative, your Oregon percentage is 0 percent. If both columns are negative, treat both columns as if they were positive and then:

- If the Oregon number is smaller than the federal number, your Oregon percentage is 100 percent.
- If the federal number is smaller than the Oregon number, divide the federal number by the Oregon number. See Table 12 for examples.

Example: Lisa reported \$30,000 of income after subtractions in the federal column. She reported \$10,000 of income after subtractions in the Oregon column. Here’s how she figured her Oregon percentage:

$$\$10,000 \div \$30,000 = 0.333 \text{ or } 33.3\%$$

Table 12. Oregon percentage examples

Federal column	Oregon column	Oregon percentage
(\$20,000)	\$42,000	100.0%
\$50,000	(\$22,000)	0.0%
(\$25,000)	(\$15,000)	100.0%
(\$12,000)	(\$15,000)	80.0%

Deductions and modifications (ORS 316.695)

You may claim either Oregon itemized deductions or Oregon’s standard deduction, whichever is larger, but not both. You can claim Oregon itemized deductions even if you’re claiming the standard deduction on your federal return.

Oregon itemized deductions

Oregon Schedule OR-A. Oregon has its own form for reporting itemized deductions. If you’re itemizing your deductions for Oregon, include Schedule OR-A with your Oregon return whether or not you’re itemizing deductions on your federal return. You still use federal definitions and AGI to figure any itemized deduction limitations. For more information, see the instructions for Schedule OR-A.

Itemized deduction add backs

Certain items that you may be including on Schedule OR-A must be modified for Oregon purposes. If you’re claiming a deduction that must be modified for Oregon, you may need to add back some (or all) of the amount you deducted. All deductions that must be added back can be found under “Additions.” Follow these instructions for reporting an itemized deduction add back:

- **Full-year residents:** Enter the amount you’re adding back with the indicated addition code on Schedule OR-ASC, section A.
- **Part-year residents and nonresidents:** Use the indicated modification code and **enter the dollar amount with a minus sign** to report the add back as a “negative modification” on Schedule OR-ASC-NP, section D.

Other Oregon modifications

Part-year residents and nonresidents. Most income items that are modified for Oregon are reported as additions or subtractions. However, a few items must be reported by part-year residents and nonresidents as modifications on Schedule OR-ASC-NP. These are:

- Artist’s charitable contribution subtraction.

- Federal income tax refund addition (negative modification).
- Subtraction for federal tax from a prior year.
- Foreign tax subtraction.
- Federal deduction for passenger vehicle loan interest paid.

Modifications not multiplied by Oregon percentage. These modifications are for nonresidents only:

- Artist's charitable contribution subtraction.
- Federal deduction for overtime wages.
- Federal deduction for tip income.

See these items under "Additions" or "Subtractions" and the instructions for Schedules OR-ASC and OR-ASC-NP for more information.

Oregon standard deduction

Use the standard deduction **only** if it's larger than your Oregon itemized deductions. If your filing status is married filing separately and your spouse itemizes, your standard deduction is \$0.

Generally, your standard deduction is based on your filing status:

Single	\$2,835
Married filing jointly	\$5,670
Married filing separately	
If spouse claims standard deduction	\$2,835
If spouse claims itemized deductions	\$0
Head of household	\$4,560
Qualifying surviving spouse	\$5,670

Standard deduction—Non-U.S. citizens without permanent resident status. Your standard deduction is \$0, but you may claim itemized deductions.

Standard deduction—Short-period return. Individuals filing a short-period return may not claim a standard deduction.

Standard deduction—Age 65 or older, blind. If you or your spouse turned 65 on or before January 1, 2026, or if you or your spouse are blind, you're entitled to an **additional deduction amount**.

If you checked one or more of the boxes on line 17 of your Oregon Form OR-40 or line 38 of your Oregon Form OR-40-N or OR-40-P, multiply the number of boxes checked by:

- **\$1,000 if married or qualifying surviving spouse.**
- **\$1,200 if single or head of household.**

Add this amount to the standard deduction amount for your filing status from above.

Example 1: Matt and Sandy are married and file a joint return. Matt is 67 years old, and Sandy, age 62, is blind. They check boxes 17a and 17d on their Form

OR-40. Their total standard deduction is \$7,670. They figure their standard deduction as follows:

\$5,670 Standard deduction for their filing status MFJ

\$2,000 2 x \$1,000

\$7,670 Total standard deduction

Standard deduction—Single or married filing jointly dependents. If you (or you and your spouse, if filing jointly) **can** be claimed as a dependent on another person's return, use the following worksheets to figure your standard deduction. Use these worksheets even if the other person doesn't claim you (or your spouse, if filing jointly).

Earned income includes salaries, wages, tips, professional fees, or other amounts received as pay for work you actually perform, and any part of a scholarship or fellowship grant that you must include in your gross income. Use your earned income from all sources even if you are a part-year resident or nonresident.

Standard deduction worksheet for single dependents

1. Enter your earned income.	1. _____
2. Additional \$450.	2. \$ <u>450</u>
3. Add lines 1 and 2.	3. _____
4. Minimum standard deduction.	4. \$ <u>1,350</u>
5. Enter the larger of line 3 or 4.	5. _____
6. Basic standard deduction for single.	6. \$ <u>2,835</u>
7. Enter the smaller of line 5 or 6.	7. _____
8. If age 65 by 1/1/2026, enter \$1,200; if not, enter \$0.	8. _____
9. If blind, enter \$1,200; if not, enter \$0.	9. _____
10. Add lines 7, 8, and 9. This is your standard deduction.	10. _____

Example 2: Homer is single, age 17, not blind, and claimed as a dependent by his father. He had \$1,135 of earned income. Homer's standard deduction is \$1,585, figured as follows:

1. Enter your earned income.	1. \$ <u>1,135</u>
2. Additional \$450.	2. \$ <u>450</u>
3. Add lines 1 and 2.	3. \$ <u>1,585</u>
4. Minimum standard deduction, set amount.	4. \$ <u>1,350</u>
5. Enter the larger of line 3 or 4.	5. \$ <u>1,585</u>
6. Basic standard deduction for single.	6. \$ <u>2,835</u>
7. Enter the smaller of line 5 or 6.	7. \$ <u>1,585</u>

8. If age 65 by 1/1/2026, enter \$1,200; if not, enter \$0. 8. \$ 0
9. If blind, enter \$1,200; if not, enter \$0. 9. \$ 0
10. Add lines 7, 8, and 9. This is your standard deduction. 10. \$ 1,585

Standard deduction worksheet for married filing jointly (MFJ) dependents

1. Enter your earned income. 1. _____
2. Additional \$450. 2. \$ 450
3. Add lines 1 and 2. 3. _____
4. Minimum standard deduction. 4. \$ 1,350
5. Enter the larger of line 3 or 4. 5. _____
6. Standard deduction for MFJ. 6. \$ 5,670
7. Enter the smaller of line 5 or 6. 7. _____
8. If age 65 by 1/1/2026, enter \$1,000; if not, enter \$0. 8. _____
9. If blind, enter \$1,000; if not, enter \$0. 9. _____
10. Add lines 7, 8, and 9. This is your standard deduction. 10. _____

Example 3: Jack and Kris are married and are both full-time college students. Jack is 20 and Kris is 21. Neither is blind. They live in Jack's parents' home and are both claimed as dependents by Jack's parents. Jack and Kris work part-time at the university. Together they had \$7,620 of wage income. Jack and Kris will file a joint tax return. They calculate their standard deduction as follows:

1. Enter your earned income. 1. \$ 7,620
2. Additional \$450. 2. \$ 450
3. Add lines 1 and 2. 3. \$ 8,070
4. Minimum standard deduction. 4. \$ 1,350
5. Enter the larger of line 3 or 4. 5. \$ 8,070
6. Basic standard deduction for MFJ. 6. \$ 5,670
7. Enter the smaller of line 5 or 6. 7. \$ 5,670
8. If age 65 by 1/1/2026, enter \$1,000; if not, enter \$0. 8. \$ 0
9. If blind, enter \$1,000; if not, enter \$0. 9. \$ 0
10. Add lines 7, 8, and 9. This is your standard deduction. 10. \$ 5,670

Oregon surplus (ORS 291.349)

The Oregon surplus, known as the "kicker," is a way for state government to return some of your taxes to you when revenues are more than predicted. Every

two years, the Oregon Department of Administrative Services (DAS) determines whether there is a surplus and the amount to be returned to taxpayers as a kicker. If there's a surplus, the kicker may be claimed on a personal income tax return, a fiduciary return filed for an estate or trust (Form OR-41), or a composite return filed by a PTE for its nonresident owners (Form OR-OC). If you're filing a personal income tax or fiduciary return, you may elect to donate your kicker to the State School Fund on your return instead of claiming it.

Kicker availability. The kicker is available only on the return for an odd-numbered year. If there's no surplus, or if the tax year is even-numbered, no kicker is available.

If DAS announces a surplus for an odd-numbered year, see our *Kicker* webpage or your return instructions for details about calculating and claiming or donating your kicker.

Oregon deferral of reinvested capital gain (Or Laws 1995, ch 809)

[Addition code 118]

From 1996 to 1999, taxpayers were allowed to defer their Oregon personal income tax on certain capital gains if the gains were timely reinvested in assets used in types of business activities. An addition is required for the tax year when the deferred gain must be recognized. Reasons for recognition include ceasing to use the asset in an approved manner, disposing of the asset, and ending approved business activities.

Federal law disconnect

[Addition code 131] [Modification code 655]

Use this addition code to report items that were excluded or deducted from your federal taxable income and should be added back for Oregon purposes, where those items don't already have an assigned addition code. Contact us if you have questions about a situation involving a disconnect from federal taxable income that isn't described elsewhere in this publication.

Part-year residents and nonresidents. Use a minus sign to report the addition as a negative modification if the amount you're adding is related to an itemized deduction you're claiming on Schedule OR-A.

Credits

Types of credits

There are three types of Oregon tax credits: standard, carryforward, and refundable. In addition, some of these credits require certification from another state agency. Certain credits must be prorated on part-year and nonresident returns. Refer to the instructions for the credit you are claiming for specific details.

Standard credits. These credits aren't refundable. They can't exceed your tax liability for the current tax year. Unused credit in excess of your tax liability can't be carried forward to a later tax year.

Carryforward credits. These credits aren't refundable. They can't exceed your tax liability for the current tax year, but you may carry forward the unused amount to a later tax year.

Refundable credits. Refundable credits may exceed your tax liability for the year. Any excess amount is treated like an overpayment and may be refunded to you.

Certified credits. For certain credits, you must qualify, apply, and be certified before you can claim them on your return. Other agencies, not the Department of Revenue, are responsible for certifying these credits. Contact information can be found in the instructions for each certified credit in this section.

Full-year residents. All credits you qualify for are allowed on Form OR-40.

Part-year residents and nonresidents. You must prorate certain Oregon credits by multiplying your total credit by your Oregon percentage from Form OR-40-N or OR-40-P to figure the amount you can claim on your Oregon return. You must prorate the following credits:

- ABLE account contributions.
- Agricultural employer overtime tax credit.
- Agriculture workforce housing.
- Crop donation.
- Earned income.
- Employer scholarship.
- Fish screening devices.
- Oregon higher education savings plan account contributions.

- Oregon Cultural Trust.
- Oregon Kids Credit.
- Oregon Veterans' Home physicians.
- Personal exemption.
- Reservation enterprise zone.
- Rural emergency medical service providers.
- Rural medical practitioners.
- Short line railroad rehabilitation.
- University Venture Development Fund contributions.
- Working family household and dependent care.

S corporation shareholders. Certain carryforward credits earned by S corporations pass through to shareholders, who then claim these credits on their personal income tax returns. Each of these credits may only be claimed on an Oregon personal income tax return by shareholders of an S corporation that qualifies for the credit or, if the credit is transferable, is a qualified transferee of the credit from another corporation that earned the credit. Except as noted, each credit is limited to the shareholder's income tax liability for the year, although the carryforward provisions may vary. For more information about credits available to S corporations, visit our website.

Tax recaptures. Forfeited credits are reported as tax recaptures on Schedule OR-ASC, section C, or Schedule OR-ASC-NP, section F, and on your Oregon return as an addition to tax. See "Additions to tax" in "Oregon tax" for more information.

Claiming credits. The exemption credit, political contribution credit (full-year filers), earned income credit, and Oregon Kids Credit are claimed on specific lines on the return. All other credits are reported on Schedule OR-ASC or Schedule OR-ASC-NP. The schedule contains sections that are specific for each of the three types of credits. Enter the credit code and the amount you are claiming in the applicable section. The total dollar amount of the credits entered in each section is reported on your return.

See the explanation for the specific credit on the following pages to find its code number and more detailed instructions. A list of all credits and their code numbers is included in the [Appendix](#). If you claim any credits on Schedule OR-ASC or OR-ASC-NP, include the schedule when you file your return.

Standard credits

Exemption credit (ORS 316.085)

This year's maximum credit is \$256 for each qualifying personal exemption. The exemption amount is indexed for inflation.

A personal exemption credit isn't allowed if your federal AGI on line 7 of Form OR-40, or line 29F of Form OR-40-N or Form OR-40-P exceeds:

- \$200,000 for married filing jointly, head of household, or qualifying surviving spouse; or
- \$100,000 if your filing status is single or married filing separately.

Part-year residents and nonresidents. Multiply your personal exemption credit by your Oregon percentage.

Personal exemption

The term "personal exemption" refers to an individual who qualifies for a personal exemption deduction on the federal return under IRC Section 151. Through tax year 2025, the **amount** of the federal deduction is \$0; however, the **qualifications** for the deduction under IRC Sections 151 and 152 haven't changed, and neither have the qualifications for claiming the Oregon personal exemption credit.

An individual who qualifies for a personal exemption deduction under IRC Sections 151 and 152 includes:

- The taxpayer (including both the primary and secondary taxpayers who file a joint return);
- The taxpayer's spouse, if the taxpayer is filing a separate return and the spouse has no gross income and doesn't qualify for an exemption deduction on another taxpayer's return; and
- The taxpayer's qualifying child or qualifying relative.

Qualifying child. A qualifying child is an individual who is the taxpayer's:

- Child or the child's descendant, or
- Sibling or stepsibling, or their descendant.

The term "child" includes stepchildren, legally-adopted children, and foster children who have been placed with the taxpayer by an authorized placement agency or by court order.

At the end of the calendar year, the child must be:

- Under the age of 19; or
- A student under the age of 24; or
- An individual with a permanent and total disability, regardless of age.

A "student" is an individual who attended an educational organization on a full-time basis during each of five calendar months during the tax year. The educational organization must have a regular faculty and curriculum, with a regularly-enrolled student body who attend where the organization's educational activities normally take place.

An "individual with a permanent and total disability" is one who is unable to engage in any "substantial gainful activity," as that term is defined under federal law, due to a physical or mental impairment that is medically determinable and can be expected to result in death, or which has lasted, or can be expected to last, for at least 12 continuous months.

Qualifying relative. A qualifying relative is an individual for whom the taxpayer pays over one-half of the individual's support for the year, and who is the taxpayer's:

- Child, sibling, stepsibling, or half sibling, or their descendant, who isn't also a qualifying child of the taxpayer;
- Parent, or their ancestor;
- Stepparent or parent-in-law;
- Sibling-in-law;
- Parent's sibling; or
- An individual who isn't listed above but is a member of the taxpayer's household and has the same principal place of abode as the taxpayer.

The qualifying relative can't have gross income for 2025 that exceeds \$5,200, and can't be claimed on another taxpayer's return. They must also be a U.S. citizen or national, or a resident of the United States, Mexico, or Canada.

Special rule for divorced or separated parents. If a qualifying child receives over one-half of their support from parents who are divorced, legally separated, or living apart for the last six months of the year, and the child is in the custody of one or both parents for more than half of the year, the personal exemption credit for the child may be claimed by the noncustodial parent if the custodial parent (the parent who has custody for the greater part of the year) makes a written statement releasing the exemption to the noncustodial parent for the tax year. The custodial parent's written statement should be kept with the taxpayer's records; we may ask for it later.

For additional information about requirements for the personal exemption deduction, including details about certain exceptions and support limitations, see IRS Publication 501, *Dependents, Standard Deduction, and Filing Information*.

You and your spouse

You are allowed one personal exemption credit for yourself if no one else can claim you as a dependent. You are allowed one personal exemption credit for your spouse if no one else can claim your spouse as a dependent and:

- You're filing a joint return, or
- Your filing status is married filing separately and your spouse has no income.

If someone else can claim you as a dependent, you can't claim an exemption for yourself. If someone else can claim your spouse as a dependent, you can't claim their exemption. This is true even if the other person doesn't claim you (or your spouse) as a dependent.

Severe disability (ORS 316.752, 316.758)

Did you have a severe disability at the end of the tax year? If so, you can claim an additional personal exemption credit if your federal AGI doesn't exceed \$100,000, regardless of your filing status. You may qualify for the additional exemption even if someone else can claim you as a dependent. You're considered to have a severe disability if **any** of the following apply:

- You permanently lost the use of one or both feet or legs; or
- You permanently lost the use of both hands; or
- You're permanently blind; or
- You have a permanent condition or an impairment of indefinite duration that limits your ability to:
 - Earn a living, or
 - Maintain a household, or
 - Transport yourself.

Deafness or hearing impairment alone don't qualify as a severe disability for purposes of this additional exemption credit.

This is true regardless of any special equipment you may use in your home or workplace.

You don't qualify for this exemption if:

- You have a temporary disability from an injury or illness and are expected to recover; or
- Your condition keeps you from doing your former work but not from doing other kinds of work without special equipment; or
- Your federal AGI is more than \$100,000, regardless of your filing status.

To confirm that you have a permanent severe disability, your physician must write a letter describing it. Keep the letter with your permanent health records.

If you qualify, check the "Severe disability" exemption box on your return. If your spouse qualifies, they may also claim this additional exemption credit.

All dependents

You are allowed one personal exemption credit for:

- Each qualifying child you're able to claim as a dependent, and
- Each of your other qualifying relatives.

On your Oregon return, you must include the following information for all dependents: first and last name, relationship to you, Social Security number, and date of birth.

Child with a disability (ORS 316.099)

You may be entitled to an additional exemption credit for your dependent child who has a qualifying disability. To qualify, **all** of the following must be true.

Your federal AGI isn't more than \$100,000, regardless of your filing status, and your child:

- Qualified as your dependent for the year, and
- Was eligible for early intervention or special education services, as defined by the Department of Education, and
- Was considered to have a disability as of December 31, 2025, under the federal Individuals with Disabilities Education Act, and
- Was age 21 or younger at the end of the tax year.

Eligible disabilities include:

- Autism spectrum disorder.
- Communication disorder.
- Deafblindness.
- Developmental delay.
- Emotional disturbance.
- Hearing impairment (including deafness).
- Intellectual disability.
- Orthopedic impairment.
- Other health impairment.
- Specific learning disability.
- Traumatic brain injury.
- Visual impairment (including blindness).

Each year, you must be able to provide an eligibility statement that confirms one of the disabilities listed above and the cover sheet from the child's Individualized Education Program (IEP) or Individualized Family Service Plan (IFSP). Keep the eligibility statement and cover sheet with your permanent health records. If your dependent qualifies, mark the "Child with qualifying disability" box by your dependent's name on your return.

No carryforward. The credit can't be more than your tax liability for the year. Any credit not used this year is lost.

Income taxes paid to another state on mutually-taxed income (ORS 316.082, 316.131)

[Credit code 802]

You may be able to claim a credit on your Oregon return if you have income that was taxed by Oregon and another state. If you pay tax to both Oregon and the other state, you have “mutually-taxed income.”

Jurisdiction to tax. Certain types of income can be taxed by only one state. This credit is allowed only if Oregon taxed the income and the other state also had a right to tax the same income. For instance, if you live in Oregon, other states **can’t** tax your pension income. Only the state you live in can tax your pension income. Therefore, if you pay tax to Oregon and another state on your pension income, you can’t take a credit for that tax. **You can’t take a credit for paying tax you don’t owe.**

State income tax only. This credit is only for state income tax. You can’t claim the credit for any city tax, county tax, school tax, sales tax, excise tax, alternative minimum tax (AMT), property tax, or other state taxes that aren’t based on income. For example, the Idaho Permanent Building Fund Tax and the Washington Business and Occupation (B & O) Tax and Capital Gains Tax don’t qualify because they aren’t based on income.

Nonresident reciprocity. Oregon is one of five states that allow a credit to be claimed by a nonresident for tax paid to the nonresident’s home state on income that is taxed by Oregon and the home state. The other four states are Arizona, California, Indiana, and Virginia. If you are a resident of one of those four states, you may claim a credit on your Oregon nonresident return for tax you paid to your home state on the mutually-taxed income.

Sale of residence. If you sell your home and pay tax to Oregon and another state or country on the gain from that sale, you can claim **either** this credit **or** the credit for mutually-taxed gain on the sale of residential property. **You can’t claim both credits.** See “Taxes imposed by other jurisdiction on mutually-taxed gain from sale of residence” for more information about that credit.

When can this credit be claimed?

You can claim this credit only if you pay the other state’s tax before or at the same time that you file your Oregon return. If you pay tax to another state for a prior tax year, you must amend your Oregon return for that year to claim the credit.

Tax paid in different years. If you paid tax to Oregon and another state on the same income, but in different

tax years, Oregon will allow a credit for the year the tax is paid to Oregon (OAR 150-316-0090). Visit our website for more information.

Who may claim this credit?

Full-year residents. Claim the credit on your Oregon return only if the income is taxed by both Oregon and a state other than Arizona, California, Indiana, or Virginia. If you are a full-year Oregon resident with income that is taxed by Arizona, California, Indiana, or Virginia, you must claim the credit on the nonresident return that you file with that state; don’t claim the credit on your Oregon return. See “**Note for full-year residents**” and “**Exception for Oregon resident partners and S corporation shareholders.**”

Example 1: Roy is a full-year Oregon resident. He has wages from a job in Idaho and income from rental property he owns in California. His Idaho wages and California rental income are taxed by Oregon as well as those states. Roy may claim a credit on his Oregon return for taxes paid to Idaho. He must claim a credit on his California nonresident return for taxes paid to Oregon.

Note for full-year residents. If one of the listed states doesn’t allow the credit on your nonresident return, you may amend your Oregon return to claim the credit for taxes paid to that state. You must provide proof of the following:

1. You paid tax to Arizona, California, Indiana, or Virginia on income that was also taxed by Oregon;
2. You paid that state’s tax at or before the time you filed your Oregon return;
3. You properly claimed the credit for taxes paid to Oregon on the nonresident return you filed with that state; and
4. That state didn’t allow your credit.

Part-year residents. Your credit is a combination of an amount based on your mutually-taxed income during the part of the year that you were a **nonresident** and an amount based on your mutually-taxed income during the part of the year that you were a **resident**.

- Claim the credit on your Oregon return for the part of the year you were a **nonresident** of Oregon only if you pay taxes on income that is mutually taxed by Oregon and Arizona, California, Indiana, or Virginia. If the income was taxed by Oregon and a state other than those listed, you must claim a credit for taxes paid to Oregon on the return you file with the other state. See “**Note for nonresidents.**”
- Claim the credit on your Oregon return for the part of the year you were a **resident** of Oregon if you pay Oregon tax on income that was mutually taxed by a state other than Arizona, California, Indiana,

or Virginia (or you meet the “Exception for Oregon resident partners and S corporation shareholders”). See “Note for full-year residents” above.

Example 2: Charlotte operates a business in Oregon. She moved from Oregon to Virginia in May, but continued to have income from her Oregon business after she moved. She also had income during the year from rental properties she owns in Oregon, Virginia, and Georgia. She files a part-year Oregon return, a part-year Virginia return, and a nonresident Georgia return. She will claim a credit for taxes paid to another state on each kind of income as follows:

- **Oregon business income.** Charlotte will pay tax to Oregon for the part of the year she was a resident, and to both Oregon and Virginia for the part of the year she was a nonresident. She may claim a credit on her Oregon return for taxes paid to Virginia for the part of the year that she was a nonresident of Oregon.
- **Georgia rental income.** Charlotte will pay tax to both Oregon and Georgia on this income only during the part of the year that she was a resident of Oregon. Once she moved to Virginia and was no longer an Oregon resident, Oregon stopped having the right to tax this income. She may claim a credit on her Oregon return for tax paid to Georgia only for the part of the year that she was an Oregon resident. She will claim a credit on her Virginia return for tax paid to Georgia for the part of the year that she was a Virginia resident.
- **Virginia rental income.** Charlotte will pay tax to both Oregon and Virginia for the part of the year that she was a resident of Oregon, and only to Virginia after she moves. She can't claim a credit on her Oregon return for taxes paid to Virginia on this income when she was an Oregon resident. Instead, she must claim a credit for taxes paid to Oregon on her Virginia return for the part of the year that she was a nonresident of Virginia.

Example 3: Kim and Jimmy lived and worked in New Mexico. At the end of August, they quit their jobs and moved to Oregon. In September they both got new jobs in Oregon. Their wages were their only source of income for the year. Kim and Jimmy paid tax to New Mexico only on the wages they earned when they lived in New Mexico, and they paid Oregon tax only on the wages they earned after they moved to Oregon. They can't claim a credit for tax paid to either state because they didn't have income that was mutually taxed by both states.

Nonresidents. You may claim a credit on your Oregon return for tax paid to your state of residence on mutually-taxed income if your state offers a reciprocal credit for Oregon residents. As noted above, the states with a reciprocal credit are Arizona, California, Indiana, or Virginia. If you pay Oregon tax on

income that is also taxed by a state other than those listed, you must claim the credit for taxes you paid to Oregon on the return you file with the other state. See “Note for nonresidents.”

Example 4: Elisa, a calendar-year taxpayer, was a resident of Indiana who receives income from an upscale boutique she owns in Oregon. Last year, Elisa claimed a credit for taxes paid to Indiana on the mutually-taxed income from the boutique on her Oregon nonresident return. On January 1 of this year, Elisa moved away from Indiana and became a resident of Hawaii. She still receives income from the boutique in Oregon. Because Hawaii isn't one of the nonresident reciprocity states, Elisa must claim a credit for taxes paid to Oregon on the return she files with Hawaii.

Note for nonresidents. If a state (other than those listed above) doesn't allow your credit, you may amend your Oregon nonresident return to claim the credit for taxes paid to that state. You must provide proof of the following:

1. You paid tax to a state (other than Arizona, California, Indiana, or Virginia) on income that was also taxed by Oregon; and
2. You paid the other state's tax at or before the time you filed your Oregon return; and
3. You properly claimed the credit for taxes paid to Oregon on the other state's return; and
4. The other state didn't allow your credit.

How do I calculate the credit amount?

The procedure for calculating the credit depends on whether you are a full-year resident, a part-year resident, or a nonresident of Oregon. If you paid tax to multiple states on income that is also taxed by Oregon, calculate the credit for each state separately, without regard to any credit for tax paid to any other state.

Use these formulas and definitions to calculate the credit amount according to your residency status.

Formula I

$$\frac{\text{Modified AGI taxed by both states}}{\text{Modified AGI}} \times \text{Your Oregon tax after all other credits}$$

Formula II

$$\frac{\text{Modified AGI taxed by both states}}{\text{Total income on the other state's return}} \times \text{Other state's tax after all other credits}$$

Modified AGI

- **Full-year residents.** Your modified AGI is your federal AGI modified by certain Oregon additions and subtractions.

- **Part-year residents and nonresidents.** Your modified AGI is the part of your federal AGI that is taxable to Oregon, modified by certain Oregon additions and subtractions.

Oregon additions. These are generally items of income that are taxed by Oregon but not by the federal government. See “Additions” for more information.

Oregon subtractions. These are generally items of income that are taxed by the federal government but not by Oregon. For example, U.S. bond interest is an Oregon subtraction because it’s income reported on your federal return that isn’t taxed by Oregon. **Note:** Don’t subtract the federal tax you paid on the subtracted income, because it isn’t an income item. See “Subtractions” for more information.

Oregon tax after all other credits

Your Oregon tax after all other credits is your tax after all credits except the credit for taxes paid to another state on mutually-taxed income, the surplus refund, the credit for taxes imposed by another jurisdiction on mutually-taxed gain from the sale of a personal residence, the claim of right income repayment credit, and the credit for PTE-E taxes paid.

Full-year residents

Claim the credit on your Oregon return only if your income is taxed by Oregon and a state other than Arizona, California, Indiana, or Virginia.

The credit for a full-year resident is the **smallest** of:

- Your Oregon tax after all other credits; or
- The tax you actually paid to the other state; or
- The amount calculated with Formula I.

Note: Full-year residents don't use Formula II.

Example 5: Manar's AGI is \$44,000. This includes \$10,000 of rental income taxed by both Oregon and Idaho and \$5,000 of U.S. bond interest. She received \$1,000 in interest from municipal bonds from another state. She has a federal tax liability of \$3,000. Her Idaho income tax is \$300. Her net Oregon tax is \$2,000 (before her credit for income taxes paid to another state). Here’s how she calculates her modified AGI and Formula I:

Federal AGI	\$ 44,000
Modifications	
Add municipal bond interest	+ 1,000
	\$ 45,000
Less U.S. bond interest	– (5,000)
Modified AGI	\$ 40,000

Note: The federal tax subtraction isn’t used in this computation because it isn’t an income item.

Formula I: $(\$10,000 \div \$40,000) \times \$2,000 = \500 .

Manar’s credit is \$300, the smallest of:

- Her Oregon tax after all other credits (\$2,000); or
- The tax actually paid to Idaho (\$300); or
- The amount from Formula I (\$500).

Part-year residents

Your credit for the part of the year that you were a **nonresident** is the **smallest** of:

- Your Oregon tax on mutually-taxed income from the nonresident period after all other credits; or
- The tax you actually paid to Arizona, California, Indiana, or Virginia on that same income; or
- The amount figured using Formula I; or
- The amount figured using Formula II.

For the part of the year that you were a **resident**, your credit is the **smallest** of:

- Your Oregon tax on mutually-taxed income while you were a resident after all other credits; or
- The tax on that same income you actually paid to a state other than Arizona, California, Indiana, or Virginia; or
- The amount calculated with Formula I.

Important—Don't use Formula II to calculate the credit for the part of the year that you were a resident.

Example 6: Ezra moved from Idaho to Oregon on September 1. He sold Oregon property on June 10, and sold Idaho property on October 18. He worked in Idaho all year. His Idaho income tax after credits is \$2,000; of this amount, \$700 is on income he received when he was an Oregon resident. His Oregon income tax liability after other credits is \$400; of this amount, \$150 is on income received during the part of the year when he wasn't an Oregon resident. His income on his Oregon and Idaho returns is:

Oregon income

Sale of Oregon property June 10	\$ 13,500
Wages September 1 to December 31	9,000
Interest September 1 to December 31	500
Sale of Idaho property October 18: Idaho capital gain reported	+ 6,000*
Total AGI taxable to Oregon	\$ 29,000

Idaho income

Sale of Oregon property June 10	\$ 13,500
Wages January 1 to December 31	27,000
Interest January 1 to August 31	1,000
Sale of Idaho property October 18: Idaho capital gain reported.	6,000

Less Idaho capital gain exclusion*	(\$3,600)
Net capital gain taxed by Idaho	<u>2,400</u>
Total AGI taxable to Idaho	<u>\$ 43,900</u>

**If the other state has any income exclusion that applies to the mutually-taxed income, you must adjust the mutually-taxed income by the exclusion amount.*

In this example, Ezra's federal capital gain is \$19,500. Idaho allows Ezra to exclude 60 percent, or \$3,600, of his \$6,000 capital gain from the sale of the Idaho property. Ezra's mutually-taxed income is \$24,900 $[(\$6,000 - \$3,600) + 13,500 + 9,000]$.

Nonresident period. Ezra had \$13,500 in mutually-taxed income while he was a nonresident. However, because Idaho isn't one of the four listed states, Ezra must claim his credit for the tax paid to Oregon while he was an Idaho resident on his Idaho part-year return.

Residency period. Ezra had \$11,400 in mutually-taxed income when he was an Oregon resident: the \$9,000 in wages earned from working in Idaho, and the \$2,400 portion of the capital gain taxed by Idaho. His total income while he was a resident was \$16,000: the \$9,000 in wages, \$1,000 in interest, and \$6,000 capital gain from the Idaho property.

Ezra compares the tax paid to Oregon and Idaho on income received while he was an Oregon resident to the result he gets from Formula I:

Formula I: $(\$11,400 \div \$16,000) \times \$250 = \178

His credit for the resident part of the year is \$178, the smallest of:

- His Oregon tax after all other credits (\$250);
- The tax actually paid to Idaho (\$700); or
- The amount from Formula I (\$178).

Nonresidents

The credit for a nonresident is the **smallest** of:

- Your Oregon tax after all other credits; or
- The tax you actually paid to Arizona, California, Indiana, or Virginia; or
- The amount figured using Formula I; or
- The amount figured using Formula II.

Example 7: Mary is a full-year resident of California. She lived in Oregon for 10 years prior to retiring to California. While living in Oregon, she acquired and maintained rental property there. She now receives installment payments from the sale of the property and pays tax to California on the gain and interest. Her California income tax after credits is \$100. Because she is an Oregon nonresident, only the gain is taxed on her Oregon nonresident return. Her Oregon tax after credits is \$350. Her income is as follows:

Oregon income

Capital gain on installment sale of real property	\$ <u>10,000</u>
Total AGI taxable to Oregon	<u>\$ 10,000</u>

California income

Capital gain on installment sale of real property	\$ 10,000
Interest on installment sale	5,000
Other interest	8,000
Business loss	<u>(20,000)</u>
Total AGI taxable to California	<u>\$3,000</u>

Her income taxed by both states is \$10,000. To figure her credit, Mary compares the tax she paid to Oregon and California to the results of both Formula I and Formula II.

- Formula I: $(\$10,000 \div \$10,000) \times \$350$ (\$350).
- Formula II: $(\$10,000 \div \$3,000) \times \$100$ (\$333).

Her Oregon credit is \$100, the smallest of:

- Her Oregon tax after all other credits (\$350); or
- The tax actually paid to California (\$100); or
- The amount from Formula I (\$350); or
- The amount from Formula II (\$333).

Where do I claim the credit?

A credit for taxes paid on income taxed by more than one state is reported on Schedule OR-ASC, section D or Schedule OR-ASC-NP, section F. Use credit code 802. Enter the dollar amount of the credit and the two-letter postal abbreviation for the other state. If you are claiming a credit for taxes paid to more than one state, list each state separately. Include Schedule OR-ASC or OR-ASC-NP when you file your Oregon return, and keep the following with your tax records:

1. A complete copy of the other state's income tax return; and
2. Proof of payment of the tax, such as:
 - A copy of the check written to pay the tax at the time the other state's return is filed;
 - Copies of W-2 statements verifying withholding paid to the other state;
 - A copy of a cashier's check or other negotiable instrument;
 - A copy of a canceled check showing payment of tax or estimated tax payments; or
 - A receipt of tax payment.

No carryforward. The credit can't be more than your Oregon tax liability for the year.

Itemized deduction

You can't take a credit and a deduction for the same item on your return. If you're claiming a credit for taxes paid to another state on your Oregon return,

you must omit the tax on which the credit is based from your Oregon itemized deductions. See the instructions for Schedule OR-A.

Fiduciary returns. See the note under “Income taxes paid to another state by a pass-through entity” in “Additions” if the tax on which the credit is based is deducted on federal Form 1041.

Exception for Oregon resident partners and S corporation shareholders

Pass-through income taxes paid to another state

[Credit code 815]

Owners of companies taxed in Oregon as partnerships or S corporations may be able to claim a credit on their resident Oregon return for their proportionate share of income taxes paid to another state by the entity. The tax must be an income tax, not a minimum tax. For example, Washington state's B & O tax doesn't qualify for this credit.

Claim the credit on your resident return, if:

- You elected to be included in the entity's group/composite filing for the other state **and** the entity paid your tax liability; or
- The entity was taxed directly by the other state. You're considered to have paid a pro rata share of the income tax imposed on the entity by the other state.

For an Oregon resident partner or S corporation shareholder, the allowable credit is the smallest of the following:

- Oregon tax on the individual's return; or
- The individual's pro rata share of the other state's tax; or
- The individual's pro rata share of the mutually-taxed income from an S corporation or partnership return:
 - Divided by the individual's modified Oregon income, and
 - Multiplied by the Oregon tax liability from the individual return.

Example 1: Oliver is a full-year Oregon resident with modified Oregon income of \$30,400 and Oregon tax (after all other credits) of \$1,538. Oliver is a 10 percent shareholder of My Corp., an electing S corporation in California. California has a corporate tax of 1.5 percent of income, with a minimum corporate franchise tax of \$800. For this tax year, My Corp. earned \$10,000 in ordinary business income, so Oliver's share is

\$1,000. The corporation must pay California \$800 of tax, and only \$150 is attributable to income ($\$10,000 \times 1.5\%$). Oliver's share of this tax is \$15. The \$650 balance paid by My Corp is a minimum franchise tax and doesn't qualify for this credit.

Oliver's Oregon credit for income taxes paid to another state is \$15, the smallest of:

- Oregon tax after all other credit: \$1,538.
- Pro rata share of California's tax: \$15.
- $(\$1,000 \div \$30,400) \times \$1,538 = \51 .

Oliver claims the credit on Schedule OR-ASC using credit code 815.

Example 2: Monte, an Oregon resident, receives partnership income from Virginia sources and joins in a multiple nonresident filing with that state. If Virginia doesn't allow a credit for taxes paid to Oregon on the multiple nonresident tax return, then Monte can claim a credit on his Oregon resident return.

Example 3: Kate, an Oregon resident, receives income from a partnership doing business in Hawaii. She reports AGI of \$21,000, including gain on the sale of partnership property in Hawaii of \$5,000. For Oregon tax purposes, the gain is reduced by a basis adjustment of \$1,000. Kate's modified AGI is \$20,000 (\$21,000 of AGI minus the \$1,000 basis adjustment). The mutually-taxed income is \$4,000 (\$5,000 gain minus the \$1,000 basis adjustment). Her Oregon tax after all other credits is \$1,100. Her pro rata share of Hawaii tax is \$360.

Kate's Oregon credit for income taxes paid to Hawaii is \$220, the smallest of:

- Oregon tax after all other credits: \$1,100.
- Pro rata share of Hawaii's tax: \$360.
- Formula I: $(\$4,000 \div \$20,000) \times \$1,100 = \220 .

Note: Because Kate is an Oregon resident, she doesn't use Formula II.

Addition. If the PTE paid income tax to another state for itself or on your behalf and is deducting the tax on its own return, you'll need to add the tax payment on your return. See “Income taxes paid to another state by a pass-through entity” in “Additions.”

Oregon Cultural Trust contributions (ORS 315.675)

[Credit code 807]

Did you make a donation to an Oregon nonprofit cultural organization during the tax year? If so, you can make a matching donation to the Trust for Cultural Development Account and get an Oregon tax credit.

How much is the credit?

You may get a credit of up to 100 percent of the amount of the matching contribution, to a maximum credit of \$500 per taxpayer (\$1,000 on jointly filed returns). For spouses who file separate returns, each may claim a share that would have been allowed on a joint return in proportion to the contribution each spouse made.

Be sure to keep receipts from both organizations with your tax records.

Part-year residents and nonresidents. Multiply the credit amount allowable to a full-year resident by your Oregon percentage.

No carryforward. The credit can't be more than your tax liability for the year. Any credit not used this year is lost.

Itemized deduction

You can't claim an itemized deduction for a contribution to a charitable organization to the extent that you received something of value, such as a tax credit, for your contribution. If you're itemizing deductions for Oregon, don't include the portion of your contributions to the Oregon Cultural Trust for which you received a credit on Schedule OR-A.

For more information, contact the Oregon Cultural Trust at 503-986-0088 or visit their website at www.culturaltrust.org.

Oregon Veterans' Home physicians (ORS 315.624)

[Credit code 808]

Physicians who provide medical care to residents of an Oregon Veterans' Home (OVH) may be eligible for a credit of up to \$5,000 per year.

Who can claim the credit?

Any resident or nonresident individual physician may qualify for the credit. The physician must be licensed to practice in Oregon (ORS chapter 677). They must provide care to a minimum of at least eight residents at an OVH. S corporation shareholders and partnership members may only claim a credit based on the care they provided. The full amount of the credit shall be allowed to each taxpayer who qualifies in an individual capacity.

How much is the credit?

The credit is equal to the lesser of:

- \$1,000 for every eight residents for whom the physician provides care at an OVH; **or**
- \$5,000.

Part-year residents and nonresidents. Multiply the credit amount allowable to a full-year resident by your Oregon percentage.

Certification required

You must obtain a letter from the OVH where you provided care. The letter must state that you missed no more than 5 percent of your scheduled visits during the tax year. Keep the letter with your tax records; we may request it at a later date.

No carryforward. The credit can't be more than your tax liability for the year. Any credit not used this year is lost.

Political contributions (ORS 316.102)

[Credit code 809—Schedule OR-ASC-NP only]

Oregon law allows a tax credit for political contributions. You may not claim this credit if your federal AGI exceeds \$150,000 on a jointly filed return, or \$75,000 on all other returns.

To qualify, you must have contributed money in the tax year you claim the credit. You must reduce the amount of your contribution by the fair market value (FMV) of any items or services you receive in exchange for your contribution. Contributions of goods or services don't qualify. Keep receipts from the candidate or organization with your tax records. You can use copies of canceled checks as your receipt.

How much is the credit?

Your credit is equal to your contribution, limited to \$100 on a joint return or \$50 on a single or separate return. The \$3 check-off on the Oregon tax return doesn't qualify for this credit.

Partners or S corporation shareholders can claim a credit for their share of political contributions made by the partnership or S corporation. The contribution must meet all statutory requirements. The \$50 and \$100 limits apply individually to each partner's or shareholder's return.

Which contributions qualify?

Candidates and their principal campaign committees. You can claim a credit for a contribution to a candidate for federal, state, or local elective office, or to the candidate's principal campaign committee. To qualify, at least one of the following must occur in Oregon in the same calendar year in which you made your contribution:

- The candidate's name must be listed on a primary, general, or special election ballot,

- A prospective petition of nomination must be filed by or for the candidate,
- A declaration of candidacy must be filed by or for the candidate,
- A certificate of nomination must be filed by or for the candidate, or
- A designation of a principal campaign committee must be filed with the Oregon Secretary of State's Office. **Note:** The designation must be made in each year that a contribution is made in order to qualify under this provision.

Political action committees. You can claim a credit for contributions to political action committees (PACs). The PAC must have certified the name of its political treasurer with the appropriate filing officer, usually the Secretary of State for statewide or regional elections, your county clerk for county elections, or your city recorder for city elections. PACs registered with the Federal Elections Commission may not be required to register in Oregon.

Political parties. Political parties can be national, state, or local committees of major political parties. Oregon also allows a tax credit for contributions made to minor political parties that qualify under state law. Contact the Oregon Secretary of State's Office in Salem at 503-986-1518 to see if a particular party qualifies.

Newsletter fund—credit not allowed. Oregon doesn't allow a credit for contributions made to a newsletter fund.

Example 1: Holly contributes \$275 for a fund-raising dinner for a presidential candidate. The FMV of the dinner was \$35. Holly's political contribution is \$240, because she must reduce her \$275 contribution by the \$35 FMV of the dinner she received. Being single, Holly's political contribution credit is limited to \$50.

Example 2: Burt donated a desk, chair, and a four-drawer file cabinet to his favorite PAC headquarters. The FMV of the furniture is \$410. Burt has a written receipt from the PAC. He can't claim a political contribution credit because he didn't contribute money to the PAC. His contribution of office furniture doesn't qualify for the credit.

No carryforward. The credit can't be more than your tax liability for the year. Any credit not used this year is lost.

Reservation enterprise zone (ORS 315.506)

[Credit code 810]

Businesses in an Oregon reservation enterprise zone that pay tax to tribal governments can claim a credit against their Oregon income tax.

The credit is equal to either:

- The tribal property tax on a business facility that is paid or incurred during the tax year; or
- Any tribal tax paid or incurred during the tax year the business first begins to operate in the reservation enterprise zone.

The credit is allowed only if the tax is imposed uniformly in the territory.

Contact the Oregon Business Development Department for the location of reservation enterprise zones at: www.oregon.gov/biz.

Who can claim the credit?

The credit is available to individuals, partnerships, and corporations. Any business activity qualifies, except property leasing. The business must have begun in 2002 or later. To compute your credit, fill out Schedule OR-REZT, *Reservation Enterprise Zone Tax Credit*. Download the schedule from our website or call us to order it. Keep the completed schedule with your tax records.

Part-year residents and nonresidents. Multiply the credit allowable to a full-year resident by your Oregon percentage.

No carryforward. The credit can't be more than your tax liability for the year. Any credit not used this year is lost.

Retirement income (ORS 316.157)

[Credit code 811]

Who can claim the credit?

If you were age 62 or older at the end of the year, and receive taxable retirement income, you may qualify for this credit. Retirement income includes payments in Oregon taxable income from:

- State or local government public pensions.
- Employee pensions.
- Individual retirement plans.
- Employee annuity plans.
- Deferred compensation plans including defined benefits, profit sharing, and 401(k)s.
- Federal pensions (includes military) not subtracted from Oregon taxable income.

How do you qualify for the credit?

- Your household income is less than \$22,500 (\$45,000 if married filing jointly); **and**
- Your Social Security and/or Tier 1 Railroad Retirement Board (RRB) benefits are less than \$7,500 (\$15,000 if married filing jointly), **and**
- Your household income plus your Social Security and Tier 1 RRB benefits is less than \$22,500 (\$45,000 if married filing jointly).

What's included in household income?

Household income generally includes all income (both taxable and nontaxable) each spouse received during the year. Household income includes gross income reduced by adjustments as reported in your federal AGI.

You also need to include items not in your federal AGI. These items include but aren't limited to:

- Veteran's and military benefits.
- Gifts, grants, and scholarships (totaling more than \$500 in value).
- Disability pay.
- Nontaxable dividends (other than "return of capital").
- Inheritance.
- Insurance proceeds.
- Nontaxable interest.
- Lottery winnings.
- RRB benefits (Tier 2 only).
- IRA conversions included in AGI.

See the **Household income checklist** in the **Appendix** for more help. Don't include:

- Social Security and Tier 1 RRB benefits.
- Your state tax refund.
- Pension income excluded from federal AGI that is a return of your contributions.
- Pensions that are rolled over into an IRA that aren't included in AGI.

To determine household income, you must separate income (or loss) from businesses, farms, rentals or royalties, and dispositions of tangible or intangible property. Combine all income from similar sources for net income or loss. Any net loss from the source is limited to \$1,000. NOL carrybacks or carryforwards aren't allowed. Capital loss carryforwards aren't allowed.

If the combined total of your depreciation, depletion, and amortization deductions is more than \$5,000, you must add the excess back into household income. You must also increase your household income by the Oregon income tax modification for depletion in excess of basis.

How much is the credit?

Use this worksheet to calculate your credit:

1. Enter the retirement income of the eligible individual(s) included on Form OR-40, line 7; or Form OR-40-N or OR-40-P Oregon column, lines 15S and 16S. (Don't include Social Security/RRB benefits). 1. _____
2. Enter any federal pension income subtracted from Oregon income. See **"Federal pension income."** 2. _____
3. Net Oregon taxable pension. Line 1 minus line 2. 3. _____
4. Enter \$7,500 (\$15,000 if married filing jointly). 4. _____

5. Enter both spouses' total Social Security and Tier 1 RRB benefits. 5. _____
6. Line 4 minus line 5, but not less than \$0. 6. _____
7. Enter your household income. See the next section to determine household income. 7. _____
8. Household income base. Enter \$15,000 (\$30,000 if married filing a joint return). 8. _____
9. Line 7 minus line 8, but not less than \$0. 9. _____
10. Line 6 minus line 9, but not less than \$0. 10. _____
11. Enter the smaller of line 3 or line 10. 11. _____
12. Multiply line 11 by 9% (0.09). This is your credit. 12. _____

Example 1: Jack owns a farm and has a \$4,000 loss. He is also in a partnership whose main activity is farming. Jack has income from the partnership of \$1,500. His net farm loss is \$2,500. He may claim only \$1,000 of this loss to compute his household income. Any net loss Jack has from other sources is also limited to \$1,000 each. If Jack is claiming more than a \$1,000 loss on any line, he must include a worksheet showing his computations.

Example 2: Callie has a business with gross income of \$32,000 for the year. She has an \$11,000 depreciation deduction. Other business expenses are \$24,500. She reports a business loss for federal purposes of \$3,500. She recomputed her business income for household income purposes. The allowable depreciation deduction is limited to \$5,000. She reports \$2,500 business income, computed as follows:

$$\$32,000 - (\$5,000 + \$24,500) = \$2,500.$$

No carryforward. The credit can't be more than your tax liability for the year. Any credit not used this year is lost.

Rural emergency medical service providers (ORS 315.622)

[Credit code 812]

A tax credit is available for emergency medical service providers in qualifying rural areas of Oregon. The credit is based solely on determination of eligibility by the Office of Rural Health.

Who can claim the credit?

Emergency medical service providers who provide volunteer services in a qualifying rural area may be eligible to claim this tax credit. However, the

volunteer services must comprise at least 20 percent of the total services provided by the individual in the tax year. A qualifying rural area is an area in Oregon that is located at least 25 miles from any city with a population of 30,000 or more.

How much is the credit?

The credit is the lesser of \$250 or your tax liability for the year.

Certification required

You must apply to the Office of Rural Health **each** year for confirmation of eligibility. Forms are available on their website at www.ohsu.edu/oregonruralhealth.

Contact Rural Health in Portland at 503-494-4450 if you have questions or need assistance. Keep a copy of the confirmation letter with your tax records for each year you claim the credit.

Part-year residents and nonresidents. If you meet the eligibility requirements, you may receive a credit. Multiply the credit amount certified by the Office of Rural Health by your Oregon percentage.

No carryforward. The credit can't be more than your Oregon tax liability for the year. Any credit not used this year is lost.

Rural health practitioners (ORS 315.613)

[Credit code 813]

A tax credit is available for health practitioners in certain rural areas of Oregon. The credit is based on eligibility requirements determined by the Office of Rural Health.

Who can claim the credit?

Physicians, dentists, podiatrists, optometrists, physician associates, certified registered nurse anesthetists, and nurse practitioners can qualify for the credit.

You qualify for the credit if during the tax year you:

- Engage in a rural practice for at least 20 hours per week, averaged over the month.
- Remain willing to serve patients with Medicare coverage and medical assistance.
- Have AGI of \$300,000 or less (unless you meet an exception). The AGI limitation doesn't apply to a physician who does one of the following:
 - Practices as a general surgeon.
 - Specializes in obstetrics.
 - Specializes in family or general practice and provides obstetrical services.
 - Practices emergency medicine in a frontier rural practice county.

The percentage of your patients who have Medicare coverage or receive medical assistance must bear the same or greater proportion to the ratio of such persons in need of care in the county served by your practice. This ratio is determined by the Office of Rural Health and may not exceed 20 percent Medicare patients or 15 percent medical assistance patients.

S corporations and partnerships don't qualify for the credit. However, shareholders and partners can take the credit on their individual Oregon income tax returns if they meet the eligibility requirements.

The credit may be claimed each year for up to a maximum of ten years.

Certification required

You must apply to the Office of Rural Health **each** year for confirmation of eligibility. Visit their website at www.ohsu.edu/oregonruralhealth for more information. Contact Rural Health in Portland at 503-494-4450 to request an application. Keep a copy of the confirmation letter with your tax records for each year you claim the credit.

How much is the credit?

The credit is based on the distance from your practice or hospital where you have a membership and a major population center in a metropolitan statistical area. The credit is the lesser of the amount shown in Table 13 and certified by the Office of Rural Health, or your tax liability for the year. You can claim the credit as long as you have a qualifying practice.

Part-year residents and nonresidents. If you meet the eligibility requirements, you may receive a credit. Multiply the credit amount certified by the Office of Rural Health by your Oregon percentage.

No carryforward. The credit can't be more than your Oregon tax liability for the year. Any credit not used this year is lost.

Table 13. Rural health practitioner credit

Distance between practice/hospital and major population center, in miles	Credit amount
At least 10, but less than 20	\$3,000
At least 20, but less than 50	\$4,000
50 or more	\$5,000

Taxes imposed by other jurisdiction on mutually-taxed gain from sale of residence (ORS 316.109)

[Credit code 806]

If you sell your personal residence, your Oregon taxable gain will be the same as your federal taxable gain. Generally, any gain you included on your

federal return will also be included on your Oregon return.

Note: If you have used the property as a rental and as a personal residence, your Oregon basis may be different from your federal adjusted basis due to depreciation differences. However, for purposes of this credit, your Oregon adjusted basis is the same as your federal adjusted basis.

You may qualify for this credit only if the gain on the sale of your personal residence is taxed by both Oregon and another state or country. You may claim either this credit or the credit for income taxes paid to another state on mutually-taxed income, but not both. You aren't eligible to claim this credit if you qualify for a credit for income taxes paid to another state on the other state's tax return.

How much is the credit?

The credit is the **smaller** of:

- Mutually-taxed gain

• Total income on the return of the other state/country

×

Other state's/coun-try's tax after all other credits

or

• Eight percent of the gain taxed by the other state/country.

Mutually-taxed gain. Your mutually-taxed gain is the total gain from the sale of your personal residence that is included in your federal income and taxed by both the other state/country and Oregon.

No carryforward. The credit can't be more than your Oregon tax liability for the year. Any credit not used this year is lost.

Itemized deduction

If you claim this credit, you must omit the tax on which the credit is based from your Oregon itemized deductions. See the instructions for Schedule OR-A.

Carryforward credits

These credits aren't refundable. They can't exceed your tax liability for the current tax year, but you may carry forward the unused amount to a later tax year. For each credit you claim, you'll report on Schedule OR-ASC or OR-ASC-NP:

- Any unused amount of the credit that was available to use ("awarded") from a prior year and carried forward to this year;
- Any amount awarded for the first time this year; and
- The total amount you're using this year.

Report any amounts carried forward from a prior year or awarded for the first time in 2025 even if you're not using the credit this year. Use credits that expire soonest first. **Note:** You can't claim an amount carried forward from a prior year unless you filed a return and claimed the credit for that year, even if none of the credit was used. Refer to the instructions for the credit you are claiming for specific details.

Transferable credits. Certain carryforward credits may be transferred to another taxpayer. If you will be transferring a credit, you and the transferee must complete and submit Form OR-TFR, *Transfer Notice for Certain Credits*, on or before the earliest of:

- Thirty days after the transfer takes place;
- The date that the transferee files their return on which they claim the credit; or
- The due date of the transferee's return, including extensions.

For more details about credit transfer requirements, see Form OR-TFR Instructions. Download the form and instructions from our website or contact us to order a copy.

Agriculture workforce housing (ORS 315.164)

[Credit code 835]

Who can claim the credit?

You may be eligible for a credit if you construct or rehabilitate agriculture workforce housing for seasonal or year-round agricultural workers and their immediate families in Oregon. The housing must be occupied at some time during the year by an agricultural worker to qualify for the credit. Housing can't be used for any purpose except housing for agricultural workers. Your family members aren't considered agricultural workers under this credit. The credit is available for projects that physically began

on or after January 1, 1990. The project must be completed before you can claim the credit.

S corporations and partnerships. Individual shareholders must claim the tax credit based on their percentage of S corporation ownership interest. Individual partners must claim the tax credit based on their distributive share of partnership income. Your percentage should be listed on your Oregon K-1.

Part-year residents and nonresidents. The credit is available to nonresidents and part-year residents who build or restore agriculture workforce housing located in Oregon. Multiply the credit amount allowable to a full-year resident by your Oregon percentage.

How much is the credit?

The total credit is 50 percent of the eligible costs actually paid or incurred to complete the agriculture workforce housing project. The credit may be taken in any of the 10 consecutive tax years beginning with the tax year the agriculture workforce housing project is completed. The amount of the credit allowed in any one tax year is 20 percent of the total credit. The amount of credit you can use in any one tax year, however, can't exceed the lesser of:

- Twenty percent of the total credit; or
- Your tax liability for the year.

Construction and rehabilitation costs include those for financing, construction, excavation, installation, and permits. Construction costs also include acquisition of new or used prefabricated or manufactured housing. However, rehabilitation costs don't include the costs of acquiring a building or an interest in a building. In either type of project, construction or rehabilitation, acquisition costs of land and existing improvements on that land used for the project aren't eligible costs.

Depreciation and basis. Depreciation and amortization expenses associated with the agriculture workforce housing project aren't decreased by the amount of the tax credit. Your adjusted basis in the housing project isn't decreased by the tax credit.

Certification required

Oregon Housing and Community Services (OHCS) must inspect the agriculture workforce housing project prior to occupancy. For an application, call OHCS in Salem at 503-986-2000 or visit their website at www.oregon.gov/ohcs.

If your project qualifies, you'll get a tax credit approval letter. Keep the letter with your tax records.

Carryforward. The amount used can't be more than your tax liability for the year. Any unused credit may be carried forward for up to nine years after the year it was first allowed (awarded). If you don't use the carryforward within nine years, it's lost.

Example 1: Ann completes an agricultural workforce housing project in tax year 1 with eligible costs of \$1,500,000. She receives a tax credit approval letter certifying a credit of \$750,000 ($\$1,500,000 \times 0.50$). Ann may choose to claim her credit in any of the 10 consecutive tax years beginning with tax year 1.

Chart A shows Ann's tax liabilities for the next 12 years. Because Ann's tax liability is relatively small for tax years 1 and 2, she chooses to claim her credit in tax year 3. Ann is allowed \$150,000 ($0.20 \times \$750,000$) of her credit in any given tax year. She reports the allowed amount on the "Amount awarded this year" line on Schedule OR-ASC. Chart A shows the allowed amounts she will report as "awarded" each year on Schedule OR-ASC, and the credit remaining after each year.

Chart A: Ann's allowed and remaining credits per year

Year	Tax liability	Amount awarded this year	Remaining credit
1	\$500	\$0	\$750,000
2	\$1,000	\$0	\$750,000
3	\$90,000	\$150,000	\$600,000
4	\$127,000	\$150,000	\$450,000
5	\$170,000	\$150,000	\$300,000
6	\$50,000	\$0	\$300,000
7	\$95,000	\$150,000	\$150,000
8	\$40,000	\$0	\$150,000
9	\$32,000	\$0	\$150,000
10	\$60,000	\$150,000	\$0
11	\$0	\$0	\$0
12	\$250,000	\$0	\$0

Chart B shows Ann's tax liability and amount allowed each year from Chart A. It also shows the amount she uses each year and any unused amount carried forward as they'd be entered on Schedule OR-ASC. The amount she can use each year is limited to her tax liability for the year or \$150,000, whichever is less. For example, in Year 3, Ann uses \$90,000 of the \$150,000 awarded for the year; for Year 4, she reports \$60,000 ($\$150,000 - \$90,000$) as the amount carried forward from a prior year.

Chart B: Ann's prior year, awarded, and used credit amounts

Year	Tax liability	Amount from prior year	Amount awarded this year	Amount used this year
1	\$500	N/A	\$0	\$0
2	\$1,000	N/A	\$0	\$0
3	\$90,000	N/A	\$150,000	\$90,000
4	\$127,000	\$60,000	\$150,000	\$127,000
5	\$170,000	\$83,000	\$150,000	\$150,000
6	\$50,000	\$83,000	\$0	\$50,000
7	\$95,000	\$33,000	\$150,000	\$95,000
8	\$40,000	\$88,000	\$0	\$40,000
9	\$32,000	\$48,000	\$0	\$32,000
10	\$60,000	\$16,000	\$150,000	\$60,000
11	\$0	\$106,000	\$0	\$0
12	\$250,000	\$106,000	\$0	\$106,000

Example 2: Use the same facts as Example 1, except that Ann decides to transfer her credit in tax year 6, when Chart A shows she has \$300,000 available to transfer. Chart B shows that if she transfers the remaining credit in tax years 6 and 7, Ann would still have \$33,000 carried forward from the credit allowed in tax year 5. She may use this amount until it's gone or until the carryforward expires in tax year 14 (the ninth year after tax year 5), whichever happens first.

Bovine manure production/ collection carryforward (ORS 315.176)

[Credit code 869]

This credit was for producers or collectors of bovine (cattle) manure that was used in Oregon as biofuel or to produce biofuel. The credit was last awarded for tax years beginning before January 1, 2022. Any unused credit could be carried forward for up to four years after the year it was first awarded. Enter your carryforward amount on the "Amount from prior year" line and \$0 on the "Amount awarded this year" line on Schedule OR-ASC or OR-ASC-NP.

The amount used can't be more than your tax liability for the year. If you don't use the carryforward within four years after it was first awarded, it's lost.

Business energy carryforward (ORS 315.354, 315.357)

[Credit code 839]

These credits were available for businesses that invested in certain types of energy conservation projects. The credit was last awarded for projects receiving final certification before January 1, 2013. Some credits were required to be claimed over a period of five years. Any unused amount could be carried forward for up to eight years after the year it was first awarded. Enter your carryforward amount on the "Amount from prior year" line and \$0 on the "Amount awarded this year" line on Schedule OR-ASC or OR-ASC-NP.

The amount used can't be more than your tax liability for the year. If you don't use the carryforward within eight years after it was first awarded, it's lost.

Child Care Fund contributions carryforward (ORS 315.213)

[Credit code 841]

This credit was for contributions made to the Child Care Fund to help address child care affordability, provider compensation, and quality assurance issues in Oregon. The credit was last awarded for tax years beginning before January 1, 2022. Any unused credit could be carried forward for up to four years after the year it was first awarded. Enter your carryforward amount on the "Amount from prior year" line and \$0 on the "Amount awarded this year" line on Schedule OR-ASC or OR-ASC-NP.

The amount used can't be more than your tax liability for the year. If you don't use the carryforward within four years after it was first awarded, it's lost.

College Opportunity Grant Fund contributions (auction) carryforward (ORS 315.643)

[Credit code 871]

This credit was for contributions made to the College Opportunity Grant Fund through a tax credit auction conducted by the Department of Revenue in cooperation with the Higher Education Coordinating Commission. The last auction was held in February 2023. Any unused amount may be carried forward for up to three years after the year it was first claimed. Enter your carryforward amount on the "Amount from prior year" line and \$0 on the "Amount awarded this year" line on Schedule OR-ASC or OR-ASC-NP.

The amount used can't be more than your tax liability for the year. If you don't use the carryforward within three years after it was first claimed, it's lost.

Crop donation (ORS 315.156)

[Credit code 843]

Oregon allows a tax credit for crops donated to a glean-ing cooperative, food bank, or other charitable organization that distributes food without charge. The organization receiving the donation must have a principal or ongoing purpose of distribution of food to children, homeless, unemployed, elderly, or low-income individuals. The organization must be located in Oregon and exempt from federal income taxes under the IRC.

To qualify for this credit, you must:

- Be in the business of growing a crop to be sold for cash; and
- Donate the crop to a tax-exempt organization located in Oregon; and
- Complete Form OR-CROP, *Crop Donation Tax Credit*, which must be signed by the organization receiving the donation.

The crop must be fit for human consumption. The food must meet all quality and labeling standards imposed by federal, state, or local laws, even though the food may not be readily marketable due to appearance, age, freshness, grade, size, surplus, or other condition. Eligible crops include, but aren't limited to, bedding plants that produce food, orchard stock that produces food, and livestock that may be processed into food for human consumption.

How much is the credit?

The credit is 25 percent of the value of the quantity of the crop donated, computed at the wholesale market price at the time of donation. The wholesale market price is determined by either:

- The amount paid to the grower by the last cash buyer of the particular crop, or
- In the event there is no previous cash buyer, a price based on the market price of the nearest regional wholesale buyer or a regional u-pick market price.

Example: 5,000 pounds of potatoes at \$ 0.10/lb.

$5,000 \times 0.10 = \$500$ (market value)

$25\% (0.25) \times \$500 = \125 (credit allowed)

Certification required

Keep the completed Form OR-CROP with your tax records to verify your donation. The organization where you donate the crop may have this form available, or you may download it from our website. Also, if there was a previous cash buyer, you must keep a copy of an invoice or other statement identifying the price received for crops of comparable grade or quality.

Part-year residents and nonresidents. Multiply the credit amount allowable to a full-year resident by your Oregon percentage.

Carryforward. The amount used can't be more than your tax liability for the year. Any unused credit may be carried forward for up to three years after the year it was first awarded. If you don't use the carryforward within three years, it's lost.

Employer scholarship (ORS 315.237)

[Credit code 847]

A tax credit is allowed to Oregon employers who have scholarship programs for their employees and their employees' dependents.

How much is the credit?

The credit is the smaller of:

- Fifty percent of the amount of qualified scholarship funds actually paid to or on behalf of qualified scholarship recipients during the tax year; or
- \$50,000.

Certification required

The credit must be certified by the Office of Student Access and Completion. Keep the certificate with your tax records.

For an application and more information, contact the office at 541-687-7400 or toll-free from an Oregon prefix at 800-452-8807, or go to their website at www.oregonstudentaid.gov.

Part-year residents and nonresidents. Multiply the credit amount allowable to a full-year resident by your Oregon percentage.

Carryforward. The amount used can't be more than your tax liability for the year. Any unused credit may be carried forward for up to five years after the year it was first awarded. If you don't use the carryforward within five years, it's lost.

Energy conservation project carryforward (ORS 315.331)

[Credit code 849]

This credit was for energy conservation projects certified by the Oregon Department of Energy. The credit was last awarded for tax years beginning before January 1, 2018. Any unused credit may be carried forward for up to five years after the year it was first awarded.

Enter your carryforward amount on the "Amount from prior year" line and \$0 on the "Amount awarded this year" line on Schedule OR-ASC or OR-ASC-NP.

The amount used can't be more than your tax liability for the year. If you don't use the carryforward within five years after it was first awarded, it's lost.

Fish screening devices (ORS 315.138)

[Credit code 850]

A tax credit is available to taxpayers who pay to install fish screening devices required by the Oregon Department of Fish and Wildlife (ODFW).

Who can claim the credit?

The credit is available to individuals, partners, sole proprietorships, and S corporation shareholders. Shareholders and partners can claim the credit based on their pro rata share of the certified costs.

How much is the credit?

Full-year residents. The credit is equal to the smaller of:

- Fifty percent of the net costs of installing the device, or
- \$5,000.

You can still claim any depreciation or amortization otherwise allowed. Don't reduce your basis in the property by the credit amount.

Part-year residents and nonresidents. Multiply the credit amount allowable to a full-year resident by your Oregon percentage.

Certification required

ODFW will send you a preliminary certificate within 90 days of the receipt of plans, specifications, and other information it requests from you. After you complete the project, ODFW will send you a final certificate that includes the verified costs of the installation. Contact ODFW in Salem at 503-947-6000 or toll-free from an Oregon prefix at 800-720-6339, or go to www.dfw.state.or.us.

Keep the final ODFW certificate with your tax records. Also keep a statement showing the computation of the allowed credit, if this isn't on the certificate.

Carryforward. The amount used can't be more than your tax liability for the year. Any unused credit may be carried forward for up to five years after the year it was first awarded. If you don't use the carryforward within five years, it's lost.

Forest conservation (ORS 315.124)

[Credit code 873]

A credit is allowed to small forestland owners that choose to use standard practice harvest restrictions instead of the small forest owner minimum option in certain riparian forestland areas. To obtain the credit, a forest conservation area must be created and the standard practice harvest restrictions must be followed for 50 years. The owner must record an irrevocable deed restriction prohibiting a harvest in the forest conservation area during that time.

If a timber harvest is conducted in the forest conservation area before the restriction has expired, the owner at the time of harvest will be responsible for repaying the full amount of the credit.

How much is the credit?

The amount of the credit is the sum of:

- The certified stumpage value of standing timber in the portion of the forest conservation area that is not harvested as a result of using the standard practice harvest restrictions;
- The cost to the owner of establishing the stumpage value, including the cost of an appraisal, and the fees related to the deed restriction; and
- One-half of the certified stumpage value of retained timber in any dry channel area adjacent to the forest conservation area.

The stumpage values are calculated as of the date that the owner files a notification of operation with the State Forester. The value can be calculated using the conversion return method, the actual comparison method, or the cash flow modeling method. Visit the Oregon Department of Forestry's (ODF) website, www.oregon.gov/odf, for more information about calculating stumpage values.

Costs, including the appraisal and deed costs, can only be included in the credit amount if the owner does not claim those costs as a deduction on their return.

Certification required

You must have obtained certification from ODF indicating the amount of your tax credit. Keep your certificate with your tax records.

Part-year residents and nonresidents. You can claim the full amount of the credit allowable to a full-year resident, limited by your tax liability for the year.

Carryforward. The amount used can't be more than your tax liability for the year. Any unused credit may be carried forward to any future tax year. If the

owner dies before all of the credit is used, the credit may be used by the estate to pay taxes. Any credit remaining will pass to the owner's heirs.

Lender's credit: affordable housing (ORS 317.097)

[Credit code 854]

This credit is only available to shareholders of an S corporation that qualifies for the credit, which should be listed on the shareholder's Schedule OR-K-1. This transferable certified credit is available to lending institutions making qualifying loans to finance certified housing projects for low-income households. Annual certification by Oregon Housing and Community Services is required.

Part-year residents and nonresidents. You may claim the full amount of the credit, limited by your tax liability for the year.

Carryforward. The amount used can't be more than your tax liability for the year. Any unused credit may be carried forward for up to five years after the year it was first awarded. If you don't use the carryforward within five years, it's lost.

Lender's credit: energy conservation carryforward (ORS 317.112)

[Credit code 848]

This credit is only available to shareholders of an S corporation that qualified for the credit. This credit was awarded to commercial lending institutions that made loans to owners of oil- or wood-heated residential property, to finance energy conservation measures. The credit was last awarded for tax years beginning before January 1, 2012. Any unused credit could be carried forward for up to 15 years after the year it was first awarded. Enter your carryforward amount on the "Amount from prior year" line and \$0 on the "Amount awarded this year" line on Schedule OR-ASC or OR-ASC-NP.

The amount used can't be more than your tax liability for the year. If you don't use the carryforward within 15 years after it was first awarded, it's lost.

Long-term enterprise zone facilities (ORS 317.124)

[Credit code 853]

This credit is only available to shareholders of an S corporation that qualifies for the credit, which should be listed on the shareholder's Schedule

OR-K-1. This certified credit was available to corporations that constructed and operated facilities in a qualified rural enterprise zone, where the facility was eligible for long-term exemption from property tax. The credit was last awarded for facilities certified on or before June 30, 2018, and was required to be claimed over a five- to 15-year period. Any unused credit could be carried forward for up to five years after the year it was first awarded.

If you have a credit that is being claimed over multiple years, enter only the amount for tax year 2024 on the “Amount awarded this year” line on Schedule OR-ASC or OR-ASC-NP; otherwise, enter \$0 on that line and enter any carryforward amount on the “Amount from prior year” line.

The amount used can’t be more than your tax liability for the year. If you don’t use the carryforward within five years after it was first awarded, it’s lost.

Oregon IDA Initiative Fund donation (ORS 315.271)

[Credit code 852]

IDAs are matched savings accounts that build the financial management skills of qualifying Oregonians with lower incomes while they save toward a defined goal. Oregon allows a tax credit for donations made to the Oregon IDA Initiative Fund.

How much is the credit?

The credit amount is the percentage determined by the fiduciary agency, but may be no more than 90 percent of the donation made. The maximum credit amount allowed for any taxpayer in any tax year, including amounts carried forward from an earlier tax year, is \$500,000.

Part-year residents and nonresidents. You can claim the full amount of the credit allowable to a full-year resident, limited by your tax liability for the year.

Carryforward. The amount used can’t be more than your tax liability for the year. You may carry forward any unused credit for three years after the year it was first awarded. If you don’t use the carryforward within three years, it’s lost.

For information on how to make a donation to the Oregon IDA Initiative Fund, contact The Neighborhood Partnership Fund at 503-226-3001 or visit their website at www.neighborhoodpartnerships.org.

Oregon itemized deduction

If you’re claiming this credit, you must add back the amount of your donation, if any, that you’re including

in your Oregon itemized deductions. See [this topic in “Additions.”](#)

Oregon Low-Income Community Jobs Initiative/New Markets (ORS 315.533)

[Credit code 855]

The New Markets tax credit was available for a qualified equity investment made before July 1, 2016 in a qualified community development entity. For more information on qualifying investments and entities, visit www.oregon.gov/biz, or contact the Oregon Business Development Department at 503-986-0123.

How much is the credit?

The credit is equal to 39 percent of the purchase price of the qualified equity investment. It must be claimed over a period of seven years, beginning with the year of investment.

The allowable tax credit for each of the seven years is:

- Zero percent in the first and second years.
- Seven percent of the purchase price in the third year.
- Eight percent of the purchase price in each of the fourth through seventh years.

Certification required

You must have obtained certification from the Oregon Business Development Department indicating the amount of your tax credit. Keep your certificate with your tax records.

Part-year residents and nonresidents. You can claim the full amount of the credit allowable to a full-year resident, limited by your tax liability for the year.

Carryforward. The amount used can’t be more than your tax liability for the year. Any unused credit may be carried forward for up to five years after the year it was first awarded. If you don’t use the carryforward within five years, it’s lost. This credit can’t be transferred or sold.

Oregon Production Investment Fund contributions (auction) (ORS 315.514)

[Credit code 856]

You may be able to claim a tax credit if you participated in the Oregon Production Investment Fund tax credit auction we conducted in cooperation with the Oregon Film and Video Office. Proceeds from the auction go to the Oregon Production Investment Fund.

You may claim the credit for the tax year in which you participated in the auction or for the prior tax year, but only if the auction is held by April 15 and you haven't yet filed the prior year's return. Visit the Oregon Film and Video Office website, www.oregon-film.org, for information about the Oregon Production Investment Fund, and our website for information about upcoming auctions, and auction rules and procedures.

Certification required

If you received a tax credit through the auction, your credit amount is shown on your certificate issued by the Oregon Film and Video Office. Keep the certificate with your tax records.

Part-year residents and nonresidents. You can claim the full amount of the credit you received in the auction, limited by your tax liability for the year.

Carryforward. The amount used can't be more than your tax liability for the year. Any unused credit may be carried forward for up to three years after the auction year. If you don't use the carryforward within three years, it's lost. This credit can't be transferred or sold.

Oregon itemized deduction

If you're claiming this credit, you must add back the amount of your contribution, if any, that you're including in your Oregon itemized deductions. See [this topic](#) in "Additions."

Publicly supported housing sale (ORS 315.283)

[Credit code 875]

A credit is allowed for a qualifying sale of publicly supported housing located in Oregon. A qualifying sale of publicly supported housing is the sale of certain multifamily rental housing developments that benefit from government assistance programs, if the purchaser agrees to adopt affordability restrictions for a period of at least 30 years following the sale. The sale must be certified by Oregon Housing and Community Services (OHCS). The credit is claimed by the seller of the publicly supported housing.

How much is the credit?

Full-year residents. The credit may not exceed:

- For housing owned by the taxpayer for at least five years but less than ten years, 2.5 percent of the lesser of the sale price or the appraised value.
- For housing owned by the taxpayer for at least 10 years, 5 percent of the lesser of the sale price or the appraised value.

OHCS will issue credit reservations that include an approved credit amount. If the approved credit amount is lower than the amount calculated above based on the sale price or appraised value, the final amount of the credit will be the approved credit amount.

Part-year residents and nonresidents. Multiply the credit amount allowable to a full-year resident by your Oregon percentage.

Certification required

A prospective purchaser of publicly supported housing must apply to OHCS for a credit reservation. After OHCS is notified of the closing of a qualifying sale for which a credit has been reserved, OHCS will send a certificate to the seller that includes the credit amount. Keep this certificate with your tax records. Visit OHCS's website, www.oregon.gov/OHCS, for more information on the certification process.

Carryforward. The amount used can't be more than your tax liability for the year. Any unused credit may be carried forward for up to three years after the year it was first awarded. If you don't use the carryforward within three years, it's lost.

Renewable energy resource equipment manufacturing facility carryforward (ORS 315.341)

[Credit code 860]

This tax credit was certified by the Business Development Department or Department of Energy. The deadline for filing an application for final certification of a facility was December 31, 2013. The credit was required to be claimed over a period of years. Any unused credit could be carried forward for up to eight years after the year it was first awarded. Enter your carryforward amount on the "Amount from prior year" line and \$0 on the "Amount awarded this year" line on Schedule OR-ASC or OR-ASC-NP.

The amount used can't be more than your tax liability for the year. If you don't use the carryforward within eight years after it was first awarded, it's lost.

Research and development for semiconductor companies— nonrefundable (ORS 315.518)

[Credit code 874]

A credit is available for qualified semiconductor companies with increases in qualified research expenses and basic research payments related to research

conducted in Oregon. A qualified semiconductor company is an entity whose primary business is:

- Research, design, development, fabrication, assembly, testing, packaging, or validation of semiconductors, or
- Creation of semiconductor manufacturing equipment, semiconductor core intellectual property, or electronic design automation software intended for use in the semiconductor industry.

Certification required

An entity must file an application with Business Oregon (the Oregon Business Development Department) for each tax year. The application must demonstrate that the entity is a qualified semiconductor company and that the proposed research and development activities will support a business or trade directly related to semiconductors. If the application is approved, Business Oregon will issue a certificate that includes the maximum amount of credit that the entity may claim. The entity must keep this certificate with its tax records. Visit Business Oregon's website, www.oregon.gov/biz, for more information on the certification process.

The entity must use Schedule OR-RESEARCH to calculate the credit amount. The completed schedule must be filed with the entity's Oregon return. Pass-through entities receiving the credit must file Form OR-TFR to pass the credit through to their owners. See the instructions for Schedule OR-RESEARCH and Form OR-TFR for more information.

Carryforward. The amount of nonrefundable credit used can't be more than your tax liability for the year. Any unused credit may be carried forward for up to five years after the year it was first awarded. If you don't use the carryforward within five years, it's lost.

Refundable credit

A portion of the credit amount is refundable if the qualified semiconductor company has fewer than 3,000 employees in Oregon at the close of the tax year. For more information about the refundable portion of the credit, see [this topic](#) in "Refundable credits."

Addition

If you're claiming this credit and you claimed a business expense deduction for the expenses or payments that qualified for the credit, you will have an addition for the amount of the credit. See [this topic](#) in "Additions."

Residential energy carryforward (ORS 316.116)

[Credit code 861]

This certified credit was for taxpayers who purchased various energy-efficient devices for residential use. The credit was last awarded for tax years beginning before January 1, 2018. Some credits had to be claimed over a four-year period. Any unused credit could be carried forward for up to five years after the year it was first awarded. Enter your carryforward amount on the "Amount from prior year" line and \$0 on the "Amount awarded this year" line on Schedule OR-ASC or OR-ASC-NP.

The amount used can't be more than your tax liability for the year. If you don't use the carryforward within five years after it was first awarded, it's lost.

Rural technology workforce development carryforward (ORS 315.523)

[Credit code 868]

This tax credit was allowed to Oregon employers located in certain areas of the state who established and implemented an employee training program in collaboration with a local community college.

Any unused credit may be carried forward for up to three years after the year it was first allowed. Enter your carryforward amount on the "Amount from prior year" line and \$0 on the "Amount awarded this year" line on Schedule OR-ASC or OR-ASC-NP.

The amount used can't be more than your tax liability for the year. If the carryforward isn't used within three years, it's lost.

Short line railroad rehabilitation (ORS 315.593)

[Credit code 872]

A transferable tax credit is allowed for short line railroads that pay or incur costs for rehabilitation projects in Oregon. The project costs must be directly related to the work necessary to maintain, reconstruct, or replace tracks, switches, sidings, roadbeds, railroad bridges, or industrial leads owned or leased in Oregon.

"Short line railroad" refers to a class II or class III railroad as defined in title 49 of the Code of Federal Regulations, part 1201. Costs that are funded by or used to qualify for state or federal grants or to claim a federal tax credit don't qualify for the credit.

The credit doesn't take the place of any depreciation or amortization deduction allowed for the rehabilitation project or decrease the taxpayer's adjusted basis for determining gain or loss.

How much is the credit?

As of January 1, 2024, the credit amount is the smaller of:

- \$3,500 multiplied by the number of miles of track owned or leased in Oregon on the day the project is completed; or
- Fifty percent of the rehabilitation project costs paid or incurred by the taxpayer during the tax year in which the credit is claimed.

For credit amounts in previous tax years, see earlier editions of this publication.

Certification required

This credit is certified by the Oregon Department of Transportation (ODOT). Final certification of the rehabilitation project is required before the credit may be claimed. Visit ODOT's website, www.oregon.gov/odot, for more information.

Transfer. If the credit will be transferred, download Form OR-TFR and Form OR-TFR Instructions from our website or contact us to order them.

Part-year residents and nonresidents. Multiply the credit amount allowable to a full-year resident by your Oregon percentage.

Carryforward. The amount used can't be more than your tax liability for the year. Any unused credit may be carried forward for up to five years after the year it was first awarded. If the carryforward isn't used within five years, it's lost. The carryforward may not be transferred.

Transportation projects carryforward (ORS 315.336)

[Credit code 863]

All transportation project credits certified by the Department of Energy have expired. Any unused credit could be carried forward for up to five years after the year it was first awarded.

For more information about these credits, see earlier editions of this publication.

Carryforward. The amount used can't be more than your tax liability for the year. Any unused credit may

be carried forward for up to five years after the year it was first awarded. Enter your carryforward amount on the "Amount from prior year" line and \$0 on the "Amount awarded this year" line on Schedule OR-ASC or OR-ASC-NP.

The amount used can't be more than your tax liability for the year. If you don't use the carryforward within five years, it's lost.

University Venture Development Fund contributions (ORS 315.640)

[Credit code 864]

A tax credit is available for contributions to Oregon University Venture Development Funds.

Who can claim the credit?

Any taxpayer who makes a qualifying charitable contribution to an Oregon University Venture Development Fund is eligible for the credit. S corporations and partnerships may claim a credit for their contributions.

How much is the credit?

The credit is 60 percent of the amount contributed, as stated on the tax credit certificate, but can't be more than \$600,000. The amount of the credit allowed to be taken on your Oregon tax return may not be more than your tax liability for the year.

Certification required

The university that established the fund will issue a tax credit certificate to you. Keep this certificate with your tax records.

Part-year residents and nonresidents. Multiply the credit amount allowable to a full-year resident by your Oregon percentage.

Carryforward. The amount used can't be more than your tax liability for the year. Any unused credit may be carried forward for up to three years after the year it was first awarded. If you don't use the carryforward within three years, it's lost.

Oregon itemized deduction

If you're claiming this credit, you must add back the amount of your contribution, if any, that you're including in your Oregon itemized deductions. See [this topic in "Additions."](#)

Refundable credits

Refundable credits may exceed your tax liability for the year. The amount of the credit that exceeds your tax liability is treated like an overpayment of tax and may be refunded to you.

ABLE account contributions (ORS 315.650)

[Credit code 897]

A tax credit of up to \$180 (\$360 if married filing jointly) is available for taxpayers who make contributions to an Oregon Achieving a Better Life Experience (ABLE) account. The credit is allowed only for contributions made on or after January 1, 2020. Contributions may be made up until the date the return is filed or the due date (not including extensions), whichever is earlier.

What is an ABLE account?

An ABLE account is a state-sponsored savings account, established through Upward Oregon (formerly Oregon Treasury Savings Network), that allows a person with a disability to save money for disability-related expenses without affecting their eligibility for government or other benefits. ABLE accounts qualify for special tax status under IRC Section 529A. Once you open an account and select an investment option, the Upward Oregon board and a private investment company manage your investment. The earnings on these accounts aren't taxed. ABLE account funds don't affect a beneficiary's eligibility for government or other benefits.

Funds withdrawn to pay qualified expenses related to the beneficiary's disability won't be taxed. These include expenses for education, housing, transportation, assistive technology, personal support services, employment training and support, and fees for legal and financial services, among others.

For more information about ABLE accounts, go to www.oregonablesavings.com.

Rollovers. Rollovers to an ABLE account don't qualify for a credit if an Oregon subtraction or credit has already been based on the funds rolled over.

Tax recapture for nonqualified withdrawals. If you claim a credit based on your contributions and later use the funds for a nonqualified purpose, you must forfeit your credit if you received a tax benefit from the withdrawn contributions. Report a tax recapture on your return for the year when the funds are withdrawn. See "Additions to tax" in "Oregon tax" for more information about the tax recapture. For

funds withdrawn for a nonqualified purpose for which a subtraction was taken in an earlier year, see "Additions."

How much is the credit?

Your AGI determines the percentage of the contributions you made during the year that you may claim, up to the maximum of \$180 (\$360 if married filing jointly). Use Table 14 to find your percentage.

Table 14. Credit percentage

If your AGI is at least:	But not more than:	your percentage is:
\$—	\$30,000	100
\$30,001	\$70,000	50
\$70,001	\$100,000	25
\$100,001	\$250,000	10
\$250,001		5

Example: Jesse and Stacey make a \$4,000 contribution to an ABLE account they opened for their daughter, who has a disability. Their AGI is \$150,000. Their percentage from Table 14 is 10 percent. They may claim the lesser of 10 percent of their contribution (\$4,000 x 0.10 = \$400) or \$360. Their credit is \$360.

Married taxpayers filing separate returns. Spouses filing separate returns may each claim a portion of the credit that would be allowed if they were filing a joint return. Use the percentage applicable to your combined AGI. Each spouse may claim the credit amount proportional to the spouse's share of AGI.

Part-year residents and nonresidents. Multiply the credit amount allowable to a full-year resident by your Oregon percentage.

Agricultural employer overtime tax credit (AEOTC) (ORS 315.133)

[Credit code 901]

The AEOTC is available for certain employers who pay overtime wages to their agricultural employees. The employers must pay overtime wages to qualifying employees who perform agricultural work in crop production or animal production and aquaculture businesses (North American Industry Classification System (NAICS) codes 111 or 112).

How much is the credit?

Agricultural workers in Oregon must be paid overtime wages (regular wages plus another 50 percent) if

they work more than a certain number of hours per week. The credit amount is a percentage of the additional 50 percent of the employees' regular wages paid as overtime. The allowable percentage depends on the employer's agricultural industry, number of employees, and hours of overtime worked.

Notice of Acknowledgment required

The total amount of AEOTC available to all qualifying employers is \$55 million per year. For this reason, the Department of Revenue must determine the allowable credit amount for every employer before any credit may be claimed.

Application required. To claim the AEOTC, an agricultural employer must apply for and receive a *Notice of Acknowledgment* from us. Employers must apply for the credit using Revenue Online during January of the year following the year when qualifying overtime wages were paid. The *Notice of Acknowledgment* will show the credit amount an employer may claim on their return.

Automatic extension of time to file. By applying for the credit, an employer is automatically given a six-month extension to file their return. This extension gives us the time to determine the allowable credit amount for all qualifying applicants. Qualifying applicants should receive their *Notice of Acknowledgment* in June.

Requirements for the credit are explained in detail in the instructions for the online application. See the application instructions on our website for more information.

Part-year residents and nonresidents. Multiply the credit amount shown in your *Notice of Acknowledgment* by your Oregon percentage.

Claim of right income repayment (ORS 315.068)

[Credit code 890]

Did you repay more than \$3,000 of income taxed by Oregon in a prior year and claim a federal claim of right income repayment deduction or credit under IRC Section 1341(a)? If so, you may claim an Oregon credit based on the Oregon tax you paid in that earlier year on the income that you later repaid. Repayments of \$3,000 or less don't qualify for an Oregon credit.

See Publication OR-CRC to calculate your Oregon credit. Publication OR-CRC is available from our website or contact us to order it. Claim the credit on Schedule OR-ASC or OR-ASC-NP.

Note: If you're claiming the federal deduction instead of the federal credit, see [this topic](#) in "Additions."

Earned income credit (EIC) (ORS 315.266)

You're allowed an Oregon EIC only if you qualify for the earned income tax credit (EITC) on your federal return.

Your Oregon EIC is 12 percent of your federal EITC if you have a qualifying dependent who was younger than 3 years old at the end of the tax year; otherwise, your credit is 9 percent of your federal EITC. This credit is claimed on your return.

Part-year residents and nonresidents. Multiply your Oregon EIC by your Oregon percentage.

Filers using ITINs. If you can't claim the federal EITC because you, your spouse, or your qualifying child(ren) don't have an SSN that is valid for work, see ["Oregon EIC for ITIN filers."](#)

Manufactured dwelling park closure (ORS 316.090)

[Credit code 891]

Did you move out of a manufactured dwelling park because the park was closing? If so, you may be eligible for a credit. To qualify, you must meet **all** of the following requirements:

- Owned your manufactured dwelling; and
- Rented space in a manufactured dwelling park that closed during the tax year; and
- Occupied your manufactured dwelling as your principal residence; and
- Received notice from the landlord that the park was closing; and
- Moved out of the manufactured dwelling park (along with all members of your household) because of the park closure notice.

If you qualify, you can claim a \$5,000 refundable credit on your tax return for the year that your household moved out of the park. To claim this credit, follow the instructions for Schedule OR-MPC, *Manufactured Dwelling Park Closure Credit*, and enter the credit amount on Schedule OR-ASC or OR-ASC-NP. You can download Schedule OR-MPC from our website or contact us to order it. Include Schedule OR-MPC with your tax return.

Note: If you qualify for this credit, you may have received a payment from your landlord of \$5,000, \$7,000, or \$9,000 depending on the size of your manufactured dwelling. These payments can be subtracted

on your Oregon return if they are included in taxable income on your federal return. See [this topic](#) under “Subtractions” for more information.

Oregon EIC for ITIN filers [ORS 315.266(2)]

[Credit code 898]

You may be able to claim Oregon’s EIC for ITIN filers if you would have qualified for the federal EITC this year but couldn’t claim some or all of the credit only because you, your spouse, or qualifying child(ren) don’t have an SSN that is valid for work. If you don’t qualify for the federal EITC for any other reason, you can’t claim Oregon’s EIC for ITIN filers.

You must use Schedule OR-EIC-ITIN, *Oregon Earned Income Credit for Filers Using Individual Taxpayer Identification Numbers*, to calculate your credit amount. Include the schedule when you file your Oregon return. The schedule and instructions are available in English and Spanish. Download them from our website or contact us to order them.

Part-year residents and nonresidents. Your credit must be multiplied by your Oregon percentage.

See Schedule OR-EIC-ITIN Instructions for more information.

Oregon higher education savings plan account contributions (ORS 315.650)

[Credit code 896]

A tax credit of up to \$180 (\$360 if married filing jointly) is available for taxpayers who make contributions to an Oregon higher education savings plan account. To qualify for the credit, you must make contributions during tax years beginning on or after January 1, 2020. Contributions may be made up until the date the return is filed or the due date (not including extensions), whichever is earlier.

What is an Oregon higher education savings plan account?

Embark (formerly Oregon College Savings Plan) and the MFS 529 Savings Plan qualify for special tax status as qualified tuition programs under IRC Section 529. Account holders can save money for college for any designated beneficiary. Once you open an account and select an investment option, Upward Oregon (formerly Oregon Treasury Savings Network) or a private investment company manages your investment.

You may ask Upward Oregon to create an Embark account for you by completing Part 2 of Schedule OR-529 and including the schedule when you file your Oregon return. After your account has been created, you may use Part 1 of the schedule to deposit refunds on future Oregon returns directly into the account. See [“Application of refund”](#) for more information.

Qualified withdrawals. Funds that are withdrawn from the account must be used to pay for the designated beneficiary’s qualified higher education expenses. These include expenses for tuition, fees, books, supplies, equipment, and room and board at an eligible educational institution anywhere in the United States and certain foreign countries. A list of eligible institutions can be found on the U.S. Department of Education’s website at www.studentaid.gov.

Qualified withdrawals also include:

- Rollovers to an ABL account for the same designated beneficiary or a member of their family.
- Expenses related to apprenticeship programs registered and certified under the National Apprenticeship Act (29 U.S.C. 50).
- Principal and interest payments on up to \$10,000 of the designated beneficiary’s (or their sibling’s) qualified education loans, as allowed by IRC Section 529.

Rollovers. Rollovers from a higher education savings plan in another state qualify as a new contribution for purposes of the credit. However, you can’t claim a credit based on any amount rolled over from an IDA or from any rollover funds that have been allowed as an Oregon subtraction or an Oregon credit.

Nonqualified withdrawals

Tax recapture. If you claim a credit based on your contributions and later use the funds for a nonqualified purpose, you must forfeit the credit if you received a tax benefit from the withdrawn contributions. Report a tax recapture on your return for the year when the funds are withdrawn. See [“Additions to tax”](#) in [“Oregon tax”](#) for more information.

Note: Nonqualified withdrawals include funds withdrawn from an Oregon higher education savings plan account that are used to pay K-12 tuition if those funds were subtracted or claimed as a credit on an Oregon return.

Addition. For funds withdrawn for a nonqualified purpose for which a **subtraction** was taken in an earlier year, see [“Additions.”](#)

How much is the credit?

Your AGI determines the percentage of your contributions made during the year you may claim, up to the maximum of \$180 (\$360 if married filing jointly).

Use Table 14 under “ABLE account contributions” to find your percentage.

Example: Carol is single and contributes \$1,000 to an Oregon higher education savings plan account she opened for her grandson. Her AGI is \$72,000. Her percentage from Table 14 is 25 percent. Carol may claim the lesser of 25 percent of her contribution ($\$1,000 \times 0.25 = \250) or \$180. Her credit is \$180.

Married taxpayers filing separate returns. Spouses filing separate returns may each claim a portion of the credit that would be allowed if they were filing a joint return. Use the percentage applicable to your combined AGI. Each spouse may claim the credit amount proportional to the spouse’s share of AGI.

Part-year residents and nonresidents. Multiply the credit amount allowable to a full-year resident by your Oregon percentage.

For more information about Oregon higher education savings plans, call Upward Oregon (formerly Oregon Treasury Savings Network) at 503-373-1903 or visit www.upwardoregon.com.

Oregon Kids Credit (ORS 315.273)

This refundable credit is available for low-income taxpayers with dependents age 5 or younger on their Oregon tax return.

Eligibility. To be eligible for the Oregon Kids Credit, you must:

1. Use a filing status other than married filing separately. If you’re married and filing separate returns, you don’t qualify for this credit.
2. Have one or more dependents age five or younger at the end of 2025 listed on your Oregon return.*
3. Have a qualifying income of under \$31,550, including Oregon additions and subtractions and with excluded foreign earned income and total losses greater than \$20,000 added back.

Credit amount. For 2025, the maximum amount of the Oregon Kids Credit is \$1,050 per qualifying dependent, for up to five dependents. Your credit amount may be limited by your income.

*** Note for divorced, separated, or unmarried parents:**

If a child is listed as a dependent on your Oregon return only because the custodial parent released the child’s dependent exemption to you, the child doesn’t qualify for this credit.

If you’re the custodial parent of an otherwise qualifying child, you may be able to claim this credit even if

the child’s dependent exemption has been released to the other parent.

For more information on the Oregon Kids Credit, see the instructions for your Oregon return.

Pass-through entity elective taxes paid (Or Laws 2021, ch 589, § 8)

[Credit code 900]

Certain PTEs may elect to pay Oregon income tax at the entity level (PTE-E tax). If you’re a member of an entity that elected to pay the PTE-E tax, you may claim a refundable credit for your share of the tax paid by the electing entity.

The electing entity must send you Schedule OR-21-K-1 to report your share of the PTE-E tax paid by the entity. Your credit amount can be found on Schedule OR-21-K-1, line 3. Are you a member of more than one electing entity? If so, your credit amount is the sum of all your shares of PTE-E tax paid by those entities. Claim the credit on your return for the same year that you report your income from each electing entity.

Addition required. You must report an addition for any PTE-E tax that was deducted by an electing entity. See “PTE-E tax deducted on entity-level federal return” in “Additions.”

For more information about the PTE-E tax, see “Pass-through entity elective tax” in “Oregon tax.”

Research and development for semiconductor companies— refundable (ORS 315.519)

[Credit code 908]

A partially refundable credit is available for qualified semiconductor companies with increases in qualified research expenses and basic research payments related to research conducted in Oregon. A portion of this certified credit is refundable to semiconductor companies with fewer than 3,000 employees in Oregon. For more information about the credit, see [this topic](#) in “Carryforward credits” and the instructions for Schedule OR-RESEARCH.

Refundable percentage. The refundable portion is a percentage of the credit based on the number of employees in Oregon that the semiconductor company employs at the close of the tax year. Use Schedule OR-RESEARCH to calculate the total amount of credit and the portion of the credit that is refundable.

A PTE that qualifies for the refundable portion must report the distributive shares of both the nonrefundable

and refundable credit amounts to its owners using Schedule OR-K-1 (or a similar schedule). The PTE will also need to complete Section C of Form OR-TFR twice, to pass both credit types through to the owners.

Table 15. Refundable percentage of credit

Oregon employees	Refundable percentage
Up to 150	75%
150-499	50%
500-2,999	25%
3,000 or more	0%

How do I claim the credit?

Use code 908 on Schedule OR-ASC, Section F, or Schedule OR-ASC-NP, Section I, to claim the refundable portion of the credit. Include the schedule when you file your Oregon return.

Working family household and dependent care (WFHDC) (ORS 315.264)

[Credit code 895]

This refundable credit is available to low- to moderate-income working families who paid for dependent care during the year for one or more qualifying individuals. Students who paid for care while they attended school during the year may be eligible for the credit. For more information, see Schedule OR-WFHDC Instructions.

What are the income limitations for this credit?

Your federal AGI or your Oregon AGI, whichever is greater, must be at or below the allowable limit for your household size to be eligible for this credit.

Students. If you (or your spouse, if you're married and filing a joint return) paid for care in order to attend school, see the instructions for Schedule OR-WFHDC-ST to find out if you qualify for an alternative credit calculation.

Table 16. WFHDC AGI limits

Household size	AGI limit
2	\$63,450
3	\$79,950

4	\$96,450
5	\$112,950
6	\$129,450
7	\$145,950
8 or more	\$162,450

How much is the credit?

The credit amount is based on your income, care expenses paid, household size, and the age of your youngest qualifying individual.

Part-year residents and nonresidents. Multiply the credit amount allowable to a full-year resident by your Oregon percentage.

Oregon itemized deduction for medical expenses

Certain medical expenses that can be included in your Oregon itemized deductions are also qualified expenses for this credit. If you claim medical expenses on Schedule OR-WFHDC, you may have to add back some or all of those expenses if you're including them in your Oregon itemized deductions. See [this topic](#) in "Additions."

How do I claim the credit?

Download Schedule OR-WFHDC from our website or contact us to order a copy. You'll also need a copy of your federal Form 2441, *Child and Dependent Care Expenses*. Figure your federal and Oregon AGI and complete Form 2441 before you calculate your credit.

Review the instructions for Schedule OR-WFHDC carefully to see if you qualify for the credit. Make sure all the information you provide on Schedule OR-WFHDC is complete and correct. We may ask you to verify the information you provide. If your information is incorrect or incomplete, your credit might be delayed or denied.

Claim the credit on Schedule OR-ASC or OR-ASC-NP. Be sure to include this schedule, Schedule OR-WFHDC, and Schedule OR-WFHDC-ST (if applicable) when you file your Oregon return.

Penalty: You may be charged a penalty if you knowingly claim or knowingly assist someone in claiming this credit falsely. The penalty is up to 25 percent of the amount claimed, and is in addition to the adjustment or denial of the credit.

Interest on underpayment of estimated tax

Do I owe underpayment interest?

If you were required to make estimated payments but paid less than the required amounts due by each payment date, you have an underpayment of estimated tax. Oregon charges interest on underpayment of the estimated tax due. If your 2025 tax after all credits and withholding is \$1,000 or more, you must complete Oregon Form OR-10, *Underpayment of Oregon Estimated Tax*, and submit it with your return. The form and instructions for calculating underpayment interest can be found on our website or contact us to order them.

Figure your required annual payment

Required annual payment

To calculate your underpayment interest, you must determine your required annual tax payment. Your required annual payment is the total amount of all tax payments, including estimated tax and withholding, you must make in order to avoid paying underpayment interest. Your required annual payment is the lesser of:

- Ninety percent of the net tax (tax after credits but before withholding or payments) shown on your 2025 return; **or**
- One hundred percent of the net tax shown on your 2024 return (commonly called Safe Harbor).

Annual estimated tax payment

Your annual estimated net tax payment is your required annual payment minus your withholding.

Required installment payment

Your annual estimated tax payment may be paid all at once or you may pay it in up to four installments. If you make the payment in installments, determine the required installment amount using one of these two methods:

- **Regular installment:** Divide your annual estimated payment by the number of installment periods.
- **Annualized installment:** Your installment is based on your actual income for the installment period. This method may benefit part-year residents and taxpayers whose income isn't received evenly throughout the year.

See Form OR-10 Instructions to calculate your required installment amount.

2025 required installment due dates

If you made one annual estimated payment, the due date was April 15, 2025. If you paid in installments and you're a calendar-year filer, your 2025 installment payments were due on April 15, June 16, and September 15, 2025 and January 15, 2026.

Underpayment interest calculation

Underpayment interest is calculated on estimated tax that is due but isn't paid by the installment due date.

The interest rate is 9 percent per year for 2025. The interest rate is 8 percent per year for 2026. Interest is calculated daily, based on a 365-day year.

Use the worksheets in Form OR-10 Instructions to calculate your underpayment interest. Report the total amount on Form OR-10 and your return. Include Form OR-10 when you file your return.

Exceptions to paying interest on an underpayment of estimated tax

If you qualify for one of the following exceptions, you don't have to pay interest on an underpayment of estimated tax. See Form OR-10 Instructions for more information about claiming an exception on both Form OR-10 and your return.

Exception 1—Farmers and commercial fishermen. If at least two-thirds (66.7 percent)* of your 2024 or 2025 gross income is from farming, oyster farming, or fishing, you won't have to pay underpayment interest.

*Only reported income from specific federal forms and schedules are considered in this calculation. Keep a copy of your federal schedules or forms with your tax records.

Exception 2—Prior year. You don't need to pay interest on an underpayment of estimated tax if **all** of the following were true for you for tax year 2024:

- Your net tax was \$0, or you weren't required to file an Oregon return;
- Your tax year was a full 12-month period; **and**
- You were a full-year Oregon resident.

Exception 3—You retired at age 62 or older or became a person with a disability in 2024 or 2025, and you had a reasonable cause for the underpayment. Keep a statement explaining the cause for the underpayment with your tax records.

Exception 4—Underpayment was due to casualty, disaster, or other unusual circumstances, and it would be unfair to impose underpayment interest. Gather and keep relevant supporting documentation of the unusual circumstances with your tax records. An unusual circumstance isn't the same as reasonable cause.

Exception 5—First-year S corporation shareholders who are nonresidents or were part-year residents. No interest is due on underpayment of S corporation income as a shareholder if:

- The income is for the first year that S corporation status is elected; **and**
- You're a nonresident for 2025; **or**
- You were a part-year resident for 2024.

Keep proof of the S corporation election with your tax records.

Estimated tax

Should I pay estimated tax?

Oregon law requires some taxpayers to pay estimated tax. Oregon's estimated tax system is similar to the federal system, but when you figure estimated tax for Oregon:

- Use Oregon income tax laws and tax rates.
- Don't include Social Security tax (FICA), self-employment tax, or household employment tax.

In most cases, you must make estimated tax payments if your 2026 tax after all credits and withholding will be **\$1,000** or more when you file your return.

Pay estimated tax for tax year 2026 if:

You expect your 2026 tax after all credits and withholding will be **\$1,000** or more when you file your return **and** you estimate that your total withheld tax will be less than:

- One hundred percent of the tax shown on your 2025 income tax return that covered all 12 months of the year; or
- Ninety percent of the tax to be shown on your 2026 income tax return; or
- Ninety percent of the tax on your 2026 annualized income.

You can make estimated tax payments even if you expect that your 2026 tax after all credits and withholding will be less than \$1,000.

For instructions and examples, download Publication OR-ESTIMATE from our website or contact us to order it.

Note: Estimated tax payments aren't a substitute for withholding Oregon income tax from wage income. If you need to increase the amount of Oregon tax withheld from your wages or other income, give an updated Form OR-W-4 to your employer or other payer. You can download Form OR-W-4 from our website or contact us to order it.

Exceptions

Farmers and commercial fishermen

Farmers and fishermen aren't required to pay estimated tax if at least two-thirds of their 2025 gross income or two-thirds of their 2026 estimated gross income from all sources is from farming or fishing. This includes oyster farming. See **"Interest on underpayment of estimated tax."**

Fiduciaries

You don't need to pay estimated tax on behalf of an estate or trust.

Special situations

Nonresidents and part-year residents

Nonresidents figure Oregon estimated tax only on income that is:

- Subject to Oregon tax; or
- From conducting a trade or business within Oregon; or
- Single ticket Oregon lottery winnings greater than \$600.

S corporation, LLC, or partnership income

If you're a shareholder in an S corporation, a member of an LLC, or in a partnership with income from Oregon sources, you may need to make estimated tax payments. Undistributed income should be computed on a per share, per day basis and reported as earned evenly through the year.

Part-year residents. For the part of the year you were a nonresident, you are subject to Oregon tax on your share of the Oregon income reported by the S corporation, LLC, or partnership. Partners must also report guaranteed payments. For the part of the year you were a resident, you're subject to Oregon tax on your share of all the S corporation, LLC, or partnership income.

Nonresidents. You're subject to Oregon tax on your share of the Oregon income reported by the S corporation, LLC, or partnership. You're also subject to Oregon tax on any guaranteed payments from the partnership. The payments are apportioned using the partnership's percentage.

Retirees

If you're retired or will soon retire, you may need to make estimated tax payments if you're unable to have Oregon income tax withheld from your retirement income. Contact the payer of the income to see if withholding is possible. If so, complete Form OR-W-4 and give it to the payer.

Retirees who are Oregon residents but not living in Oregon may be subject to tax on their Oregon-source pensions. This law applies to retirees who still have Oregon as their domicile but file as nonresidents. See **"Retirement income"** under **"Income."**

Non-U.S. citizens without permanent resident status

Estimated tax filing requirements are the same regardless of your citizenship status. Non-U.S. citizens can be either Oregon residents or nonresidents. If you're married and you (or your spouse) are a non-U.S. citizen without permanent resident status, don't make joint estimated tax payments; you must make separate payments.

Appendix

Contents

2025 Household Income Checklist
WFHDC Medical Expense Worksheet
Capital Loss Carryover Difference
Worksheet
2025 Numeric Codes

Household income checklist

Use this list to decide if an item must be included in total household income.

Alimony and separate maintenance	Yes
Annuities and pensions (reduced by cost recovery)	Yes
Business income (reduced by expenses) (losses limited to \$1,000)	Yes
Cafeteria plan benefits	No
Capital loss carryover	No
Capital losses (in year determined) (losses limited to \$1,000)	Yes
Child support	Yes
Child support included in public assistance	Yes
Clergy's rental or housing allowance, in excess of expenses claimed to determine federal AGI	Yes
Compensation for services performed	
Back pay	Yes
Bonuses	Yes
Clergy fees	Yes
Commissions	Yes
Director fees	Yes
Fees in general (trustee, executor, jury duty)	Yes
Lodging for convenience of employer	No
Meals for convenience of employer	No
Salaries	Yes
Severance pay	Yes
Tips and gratuities	Yes
Wages	Yes
Deferred compensation	
Contributions made	No
Payments received	Yes
Depletion in excess of basis	Yes
Depreciation, depletion, and amortization in excess of \$5,000	Yes
Disability income (entire amount)	Yes
Dividends, taxable and nontaxable	
Credit union savings account "dividends" (interest)	Yes
Insurance policy "dividends" (return of premium)	No
Return of capital dividends	No
Stock dividends	Yes
Tax-exempt dividends	Yes
Earned income credit, advanced	No
Estate and trust income (also see "Inheritance") (losses limited to \$1,000)	Yes
Farm income (reduced by expenses) (losses limited to \$1,000)	Yes
Agricultural program payments	Yes

Patronage dividends	Yes
Proceeds from sale of crops and livestock	Yes
Rents	Yes
Sale of services	Yes
Fellowships	Yes
Foreign income excluded from federal AGI	Yes
Foster child care (reduced by expenses)	No
Funeral expenses received	No
Gains on sales (receipts less cost)	Yes
Excluded gain for Oregon on sale of residence	No
Gambling winnings (without reduction for losses)	Yes
Gifts, grants, and scholarships (totaling more than \$500 in value)	
Cash	Yes
Gifts from nonspouse in the same household	Yes
Gifts from spouse in the same household	No
Gifts other than cash (report at fair market value)	Yes
Payment of indebtedness by another person	Yes
Scholarships	Yes
Stipends	Yes
Grants and payments by foreign governments not included in federal AGI	Yes
Grants by federal government for rehabilitation of home	No
Gratuities and tips	Yes
Hobby income	Yes
Honoraria	Yes
IRA	
Conventional IRA	
Payments received	Yes
Payments contributed	No
Rollovers or conversions not included in AGI	No
Rollovers or conversion included in AGI	Yes
Roth IRA	
Payments received	No
Payments contributed	Yes
Rollovers or conversions not included in AGI	No
Rollovers or conversion included in AGI	Yes
Inheritance	Yes
From spouse who resided in the same household	No
Insurance proceeds	
Accident and health	Yes
Disability payments	Yes

Employee death benefits	Yes		Reimbursements of expenses paid or incurred by participants in work or training programs	No
Life insurance	Yes		Special Shelter Allowance	No
Personal injury damages (less attorney fees)	Yes		Supplemental Nutrition Assistance Program (SNAP) benefits	No
Property damage if included in federal income	Yes		Surplus food	No
Reimbursement of medical expense		No	Temporary Assistance for Needy Families (TANF)	Yes
Sick pay (employer sickness and injury pay)	Yes		Women, Infants, and Children program (WIC)	No
Strike benefits	Yes		Railroad Retirement Board benefits	Yes
Unemployment insurance benefits	Yes		Refunds	
Workers' compensation	Yes		Earned income credit	No
Interest, taxable and nontaxable			Federal tax	No
Contracts	Yes		Property tax	No
Municipal bonds and other securities	Yes		Oregon income tax	No
Savings accounts	Yes		Other states' income tax (if included in federal AGI)	Yes
Tax-exempt interest	Yes		Prior-year rental assistance payment	No
U.S. Savings Bonds	Yes		Reimbursements in excess of expenses	Yes
Losses on sales (to extent used in determining AGI) (losses limited to \$1,000)	Yes		Rental allowances paid to ministers not included in federal AGI	Yes
From sales of real or personal property (nonbusiness)		No	Rental and royalty income (reduced by expenses) (losses limited to \$1,000)	Yes
Lottery winnings	Yes		Residence sales (see "Gains on sales")	Yes
Lump-sum distribution (less cost recovery)	Yes		Retirement benefits (see "Pensions" and "Social Security")	
Military and veteran's benefits (taxable and nontaxable)			Scholarships (see "Gifts, grants, and scholarships")	Yes
Combat pay	Yes		Sick pay	Yes
Disability pensions	Yes		Social Security (taxable and nontaxable)	
Educational benefits (GI Bill)	Yes		Children's benefits paid to parent	Yes
Family allowances	Yes		Children's benefits paid to your child	No
Pensions	Yes		Disability pension	Yes
NOL carryback and carryover		No	Medicare payments of medical expenses	No
Partnership income (reduced by expenses) (losses limited to \$1,000)	Yes		Medicare premiums deducted from Social Security	Yes
Parsonage (rental value) or housing allowance in excess of expenses used in determining federal AGI	Yes		Old-age benefits	Yes
Pensions and annuities (taxable and nontaxable) (reduced by cost recovered in the current year)	Yes		Social Security Disability Insurance (SSDI)	Yes
Prizes and awards	Yes		Supplemental Security Income (SSI)	Yes
Public assistance benefits			Survivor benefits	Yes
Aid to Blind and Disabled	Yes		Stipends (see "Gifts, grants, and scholarships")	Yes
Child care payments	Yes		Strike benefits	Yes
Child support included in public assistance	Yes	No	Support from parents who don't live in your household	Yes
Direct payments to nursing home		No	Trust income	Yes
Fuel assistance		No	Unemployment insurance benefits	Yes
In-home services approved by the Department of Human Services		No	Wages	Yes
Medical mileage reimbursements	Yes	No		
Medical payments to doctors		No		
Oregon Supplemental Income Program (OSIP)	Yes			
Payments for medical care, drugs, medical supplies, and services for which no direct payment is received		No		

WFHDC medical expense worksheet

1. Enter your expense limit (Schedule OR-WFHDC, line 27). 1. \$ _____
2. Enter the total expenses you paid for care (Schedule OR-WFHDC, line 10). 2. \$ _____
3. Enter the expenses from step 2 that are also included in your medical expenses on Schedule OR-A, line 1. 3. \$ _____
4. Step 2 minus step 3. These are your non-medical WFHDC care expenses. 4. \$ _____

Compare step 4 to step 1. If step 4 is more than step 1, your non-medical expenses are more than your expense limit and you don't have an add back. If step 4 is less than step 1, continue to step 5.

5. Step 1 minus step 4. 5. \$ _____
6. Enter your medical and dental expenses from Schedule OR-A, line 1. 6. \$ _____
7. Enter your medical expense deduction from Schedule OR-A, line 4. 7. \$ _____
8. Step 7 divided by step 6. Round to three decimal places. 8. _____
9. Step 8 multiplied by step 3. This is the portion of your WFHDC medical care expenses that you included in itemized deductions. 9. \$ _____
10. Enter the smaller of step 5 or step 9. This is the portion of the medical care expenses you deducted and on which you based your credit. 10. \$ _____
11. Enter your Oregon itemized deductions from Schedule OR-A, line 23. 11. \$ _____
12. Enter the Oregon standard deduction for your filing status plus any additional standard deduction you could claim if you didn't itemize deductions (see "Other items"). 12. \$ _____
13. Step 11 minus step 12. This is the difference between your itemized deductions and standard deduction. 13. \$ _____
14. Enter the smaller of step 10 or step 13. This is the amount you must add back. Use addition code 163 on Schedule OR-ASC, section A, or enter this amount with a minus sign and use modification code 651 on Schedule OR-ASC-NP, section D. 14. \$ _____

Capital loss carryover difference worksheet

This worksheet is used to calculate an addition if the tax benefit of a capital loss carryover on your federal return is different from the tax benefit on your Oregon return. **Use this worksheet only if all of the following are true:**

- You filed federal and Oregon returns for 2024;
- You deducted a capital loss on your 2024 federal return;
- Your AGI was less than your federal standard deduction or itemized deductions;
- You carried over some or all of your 2024 capital loss **deduction** to 2025;
- If you filed a part-year or nonresident return for tax year 2024, at least some of your 2024 capital losses were from Oregon sources; and
- Your 2024 federal AGI was within the applicable range in Table 7 (see **"Additions"**).

If all of the above are true, you'll need to have these items in order to complete the worksheet:

- Your federal return with Schedule D for 2024 and 2025, and
- Your 2024 Oregon return.

Part-year or nonresident return filed for tax year 2024. Capital losses may be claimed on an Oregon return only if they are from Oregon sources—that is, from Oregon sources while a nonresident, or from all sources while an Oregon resident. If you filed a part-year or nonresident return for 2024 and your capital losses included Oregon-source losses, complete the following before you start the Oregon worksheet:

- Enter your net short-term capital loss or gain from your 2024 Schedule D, line 7. (a) \$ _____
- Enter the portion of the amount in (a) that is from Oregon sources. (b) \$ _____
- Line (b) divided by line (a). Round to three decimal places. (c) _____
- Enter your net long-term capital loss or gain from your 2024 Schedule D, line 15. (d) \$ _____
- Enter the portion of the amount in (d) that is from Oregon sources. (e) \$ _____
- Line (e) divided by line (d). Round to three decimal places. (f) _____

Part A. Figure your Oregon loss carryforward amount.

- Enter your **2024** Oregon taxable income (Form OR-40, line 19; Form OR-40-N, line 45; or Form OR-40-P, line 43 multiplied by line 35). If less than \$0, enclose in parentheses. 1. \$ _____
- Full-year residents:** Enter the capital loss deduction from your **2024** Form 1040, line 7, as a positive amount. **Part-year residents and nonresidents:** Enter the Oregon amount from your **2024** Form OR-40-N or Form OR-40-P, line 13S, as a positive amount. 2. \$ _____
- Line 1 plus line 2. If zero or less, enter \$0. 3. \$ _____
- Enter the **smaller** of line 2 or line 3. 4. \$ _____

If line 7 of your 2024 Schedule D shows a loss, go to line 5; otherwise, enter \$0 on line 5 and go to line 9.

- Enter the net short-term loss from your **2024** Schedule D, line 7, as a positive amount. **Part-year residents and nonresidents:** Enter only the portion from Oregon sources from (b), above, as a positive amount. 5. \$ _____
- Enter the net long-term gain, if any, from your **2024** Schedule D, line 15. **Part-year residents and nonresidents:** Enter only the portion from Oregon sources from (e), above. If a loss, enter \$0. 6. \$ _____

7. Line 4 plus line 6. 7. \$ _____
8. **Oregon short-term capital loss carryover for 2025.** Line 5 minus line 7. If zero or less, enter \$0. 8. \$ _____

If line 15 of your 2024 Schedule D is a loss, go to line 9; otherwise, skip to Part B.

9. Enter the net long-term loss from your **2024** Schedule D, line 15, as a positive amount. **Part-year residents and nonresidents:** Enter only the portion from Oregon sources from (e), above, as a positive amount. 9. \$ _____
10. Enter the net short-term gain, if any, from your **2024** Schedule D, line 7. **Part-year residents and nonresidents:** Enter only the portion from Oregon sources from (b), above. If a loss, enter \$0. 10. \$ _____
11. Line 4 minus line 5. If zero or less, enter \$0. 11. \$ _____
12. Line 10 plus line 11. 12. \$ _____
13. **Oregon long-term capital loss carryover for 2025.** Line 9 minus line 12. If zero or less, enter \$0. 13. \$ _____

Part B. Figure your Oregon addition.

14. Enter your federal short-term capital loss carryover from your **2025** Schedule D, line 6, as a positive amount. **2024 part-year residents and nonresidents:** Multiply this amount by the decimal in (c), above; round to the nearest dollar. 14. \$ _____
15. **Oregon tax benefit from 2024 short-term loss.** Line 14 minus line 8. 15. \$ _____
16. Enter your federal long-term loss carryover from your **2025** Schedule D, line 14, as a positive amount. **2024 part-year residents and nonresidents:** Multiply this amount by the decimal in (f), above; round to the nearest dollar. 16. \$ _____
17. **Oregon tax benefit from 2024 long-term loss.** Line 16 minus line 13. 17. \$ _____
18. Line 15 plus line 17. **This is your Oregon addition.** 18. \$ _____

Full-year filer for 2025. Enter the amount from line 18 on Schedule OR-ASC, section A, using code 162.

Part-year or nonresident filer for 2025. Enter the amount from line 18 on both the federal and Oregon lines on Schedule OR-ASC-NP, section B, using code 162.

Numeric codes

Numeric codes are required when you are claiming or reporting an adjustment, addition, subtraction, modification, or credit on Schedule OR-ASC or OR-ASC-NP. If you have multiple items that use the same code, other than a credit for income taxes paid to another state, add them together and enter the total as a single item. Modifications marked with + must be entered as a negative number. Credits marked with * must be prorated by part-year residents and nonresidents.

Include Schedule OR-ASC or OR-ASC-NP when you file your return. (**Note:** For page numbers, see the item's listing in the Index.)

Adjustments—Nonresident and part-year resident filers only, Schedule OR-ASC-NP, Section A	Code
Certain business expenses of reservists, performing artists, and fee-basis government officials—Form 1040, Schedule 1, Line 12.....	002
Health savings account deduction—Form 1040, Schedule 1, Line 13.....	003
Penalty on early withdrawal of savings—Form 1040, Schedule 1, Line 18.....	004
Other adjustments on Form 1040, Schedule 1, Lines 23 and 25.....	005

Additions—Schedule OR-ASC, Section A or OR-ASC-NP, Section B	Code
Claim of right income repayments (Full-year filers only).....	103
Disposition of inherited Oregon farmland or forestland.....	106
Federal election on interest and dividends of a minor child.....	107
Federal income tax refunds (Full-year filers only).....	109
Net operating loss—non-Oregon source.....	116
Oregon higher education savings plan subtraction nonqualified withdrawal.....	117
Oregon deferral of reinvested capital gain.....	118
Partnership and S corporation modifications for Oregon.....	119
Unused business credits.....	122
Federal subsidies for employer prescription drug plans.....	123
Federal law disconnect.....	131
Accumulation distribution from certain domestic trusts.....	132
Fiduciary adjustment from Oregon estates and trusts.....	133
Gambling losses claimed as an itemized deduction (Full-year filers only).....	134
Refund of Oregon-only itemized deductions from a prior year.....	136
IDA nonqualified withdrawal.....	137
Oregon IDA Initiative Fund donation credit add back (Full-year filers only).....	138
Lump-sum distribution from a qualified retirement plan.....	139
Passive foreign investment company income.....	140
Oregon Production Investment Fund contributions (Full-year filers only).....	144
University Venture Development Fund contributions (Full-year filers only).....	146
Income taxes paid to another state by a pass-through entity.....	148
Basis of business assets transferred into Oregon.....	150
Depletion in excess of property basis.....	151
Depreciation difference for Oregon.....	152
Federal depreciation disconnect.....	153
Gain or loss on sale of depreciable property with different basis for Oregon.....	154
Passive activity losses.....	155
Suspended losses.....	156
Federal estate tax (Full-year filers only).....	157
Interest and dividends on government bonds of other states.....	158
Federal subtraction for retirement savings rollover from IDA.....	159
Disqualified charitable donations (Full-year filers only).....	160
Nonresident capital losses and loss carryovers.....	161
Capital loss carryover difference.....	162
WFHDC medical expenses (Full-year filers only).....	163
ABLE account subtraction nonqualified withdrawal.....	164
First-time homebuyer savings account nonqualified withdrawal.....	166
PTE-E tax deducted on entity-level federal return.....	167
CPAR addition.....	187
Research and development for semiconductor companies.....	188

Subtractions—Schedule OR-ASC, Section B or OR-ASC-NP, Section C	Code
American Indian	300
Artist's charitable contribution (Full-year filers only)	301
Construction worker and logger commuting expenses	303
Federal gain previously taxed by Oregon	306
Federal pension income	307
Federal income tax paid for a prior year (Full-year filers only)	309
Fiduciary adjustment from Oregon estates and trusts	310
Foreign income tax (Full-year filers only)	311
Wildfire civil action settlement or judgment	312
Wildfire civil action legal fees	313
IDA contributions	314
Interest and dividends on U. S. bonds and notes	315
State and local government bond interest	317
Military pay	319
Federal mortgage interest credit (Full-year filers only)	320
Net operating loss for Oregon	321
Oregon Lottery winnings	322
Partnership and S corporation modifications for Oregon	323
Oregon income tax refund	325
Previously taxed employee retirement plan contributions	327
Public Safety Memorial Fund award	329
Railroad Retirement Board benefits	330
U.S. government interest in IRA or Keogh distributions	331
Scholarship awards used for housing expenses	333
Legislative Assembly expenses	335
Film production labor rebate—Greenlight Oregon Labor Rebate Fund	336
Manufactured dwelling park capital gain exclusion	338
Capital Construction Fund contributions	339
Federal tax credits (Full-year filers only)	340
Income on a composite return	341
Oregon Investment Advantage	342
Manufactured dwelling park closure payments	344
Taxable benefits for former RDPs	347
Previously-taxed IRA conversions	348
Special Oregon medical	351
DISC dividend payments	352
Depreciation difference for Oregon	354
Gain or loss on sale of depreciable property with different basis for Oregon	355
Passive activity losses	356
Suspended losses	357
Basis of business assets transferred into Oregon	358
Marijuana business expenses	359
First-time home buyer savings account contributions and earnings	361
AmeriCorps educational award	362
CPAR subtraction	384
Psilocybin business expenses	385
PTE-E tax refund included on entity-level federal return	387
Casualty loss from state-declared emergency (Full-year filers only)	388
Federal deduction for tip income (Full-year filers only)	390
Federal deduction for overtime wages (Full-year filers only)	391
Federal deduction for passenger vehicle interest paid (Full-year filers only)	392
Modifications—Part-year and nonresident filers only, Schedule OR-ASC-NP, Section D	Code
Artist's charitable contribution (Part-year filers only)	600
Federal income tax refunds +	601
Federal income tax paid for a prior year	602

Foreign income tax.....	603
Gambling losses claimed as an itemized deduction +	604
Federal estate tax +	605
Federal mortgage interest credit	607
Federal tax credits	609
Oregon Production Investment Fund contributions +	644
University Venture Development Fund contributions +	646
Oregon IDA Initiative Fund donation credit add back +	648
Claim of right income repayment +	649
Disqualified charitable donations +	650
WFHDC medical expenses +	651
Casualty loss from state-declared emergency	654
Federal law disconnect +	655
Federal deduction for tip income (Part-year filers only)	656
Federal deduction for overtime wages (Part-year filers only)	657
Federal deduction for passenger vehicle interest paid	658
+ Must be entered as a negative number	

Modifications not multiplied by Oregon percentage—Nonresident filers only,

Schedule OR-ASC-NP, Section E	Code
Federal deduction for tip income.....	680
Federal deduction for overtime wages	681
Artist's charitable contribution	682

Tax recaptures—Schedule OR-ASC, Section C or OR-ASC-NP, Section F	Code
Tax recapture—ABLE account nonqualified withdrawal.....	950
Tax recapture—Oregon higher education savings plan account nonqualified withdrawal	951

Standard credits—Schedule OR-ASC, Section D or OR-ASC-NP, Section G	Code
Income taxes paid to another state on mutually-taxed income.....	802
Taxes imposed by other jurisdiction on mutually-taxed gain from sale of residence	806
Oregon Cultural Trust contributions *	807
Oregon Veterans' Home physicians *	808
Political contributions (Part-year and nonresident filers only)	809
Reservation enterprise zone *	810
Retirement income.....	811
Rural emergency medical service providers *	812
Rural health practitioners *	813
Pass-through income taxes paid to another state.....	815

Carryforward credits—Schedule OR-ASC, Section E or OR-ASC-NP, Section H	Code
Agriculture workforce housing *	835
Business energy carryforward	839
Child Care Fund contributions carryforward	841
Crop donation *	843
Employer scholarship *	847
Energy conservation project carryforward.....	849
Fish screening devices *	850
Oregon IDA Initiative Fund donation.....	852
Oregon Low Income Community Jobs Initiative/New Markets	855
Oregon Production Investment Fund contributions (auction)	856
Renewable energy resource equipment manufacturing facility carryforward.....	860
Residential energy carryforward.....	861
Transportation projects carryforward	863
University Venture Development Fund contributions.....	864
Rural technology workforce development carryforward *	868
Bovine manure production/collection carryforward.....	869

College Opportunity Grant Fund contributions (auction) carryforward.....	871
Short line railroad rehabilitation *	872
Forest conservation	873
Research and development for semiconductor companies—nonrefundable	874
Publicly supported housing sale*	875

Carryforward credits—Available only to S Corporation shareholders **Code**

Lender’s credit: energy conservation carryforward (S corporation)	848
Long-term enterprise zone facilities carryforward (S corporation).....	853
Lender’s credit: affordable housing (S corporation).....	854

Refundable credits—Schedule OR-ASC, Section F or OR-ASC-NP, Section I **Code**

Claim of right income repayment.....	890
Manufactured dwelling park closure	891
Working family household and dependent care (WFHDC) *	895
Oregon higher education savings plan account contributions *	896
ABLE account contributions *	897
Oregon EIC for ITIN filers *.....	898
Pass-through entity elective taxes paid	900
Agricultural employer overtime tax credit *.....	901
Research and development for semiconductor companies—refundable.....	908

* Credit must be prorated by part-year residents and nonresidents.

Index

Symbols

2-D barcode filing for Oregon 11

A

ABLE account
 Contributions—credit 119
 Nonqualified withdrawal—addition 58
 Nonqualified withdrawal—tax recapture 30
 Abusive Tax Avoidance Transactions—penalty 40
 Accumulation distribution from a trust—addition 58
 Additions
 ABLE account subtraction nonqualified withdrawal 58
 Accumulation distribution from a trust 58
 Basis of business assets transferred into Oregon 91
 Capital loss carryover difference 58
 Claim of right income repayments 58
 CPAR adjustments 91
 Depletion in excess of property basis 59
 Depreciation difference for Oregon 90
 Disposition of inherited Oregon farmland or forestland 59
 Disqualified charitable donations 60
 Federal business income deduction 60
 Federal depreciation disconnect 88, 90
 Federal election on interest and dividends of a minor
 child 60
 Federal estate tax 60
 Federal income tax refunds 60
 Federal law disconnect 96
 Federal subsidies for employer prescription drug plans 62
 Fiduciary adjustment from Oregon estates and trusts ... 92
 First-time home buyer savings account nonqualified
 withdrawal 62
 Gain on the sale of an Oregon residence 92
 Gain or loss on sale of depreciable property with
 different basis for Oregon 92
 Gambling losses claimed as an itemized deduction 62
 Income taxes paid to another state by a pass-through
 entity 63
 Individual development account
 Donation credit 63
 Nonqualified withdrawal 63
 Rollover to retirement account 63
 Interest and dividends on government bonds of other
 states 63
 Lump-sum distributions 64
 Nonresident capital losses and loss carryovers 64
 Oregon deferral of reinvested capital gain 96
 Oregon higher education savings plan subtraction
 nonqualified withdrawal 65
 Oregon Production Investment Fund contributions 65
 Partnership and S corporation modifications for Oregon 91
 Passive activity losses 93
 Passive foreign investment company income 65
 PTE-E tax deducted on entity-level federal return 65
 Refund of Oregon-only itemized deductions from
 a prior year 65
 Research and development for semiconductor
 companies 66
 Suspended losses 94
 University Venture Development
 Fund contributions 66

Unused business credits 66
 WFHDC medical expenses 66
 Additions to tax 25
 Addresses 142
 Adjustments—Centralized partnership audit regime 91
 Adjustments to income
 Alimony paid 54
 Educator expenses 55
 Fee-basis government officials, business expenses of ... 54
 Health Savings Account deduction 55
 In general 54
 IRA or self-employed SEP and SIMPLE contributions 55
 Moving expenses 56
 Other adjustments on federal Form 1040, Schedule 1,
 lines 23 and 25 57
 Penalty on early withdrawal of savings 56
 Performing artists, business expenses of 54
 Reservists, business expenses of 54
 Self-employed health insurance 56
 Self-employment tax 57
 Student loan interest 57
 Agricultural employer overtime tax credit 119
 Agriculture workforce housing—credit 110
 Air carrier employees 47
 Alimony
 Paid, deduction—adjustment 54
 Received, income 47
 Amended returns 36
 American Indian—subtraction 67
 AmeriCorps educational award—subtraction 68
 Amtrak Act 49
 Annual estimated tax payment 124
 Appeals
 Appealing a deficiency based on federal audit
 reports or audit reports of other states 43
 Conference 43
 Doubtful liability 44
 Interest 43, 44
 Notice of Assessment 42
 Notice of Deficiency 42
 Oregon Tax Court 44
 Paying your taxes during the appeal 44
 Penalty or interest 43
 Revenue Online 42, 43, 44
 Written objection 43
 Appendix 126
 Application of refund 33
 Artist's charitable contribution—subtraction 68
 "As if" federal returns 17
 Audit 41

B

Basis of business assets transferred into Oregon 91
 Bona fide residence test 14
 Bond interest 63, 77, 85
 Bovine manure production/collection 111
 Business energy carryforward—credit 112
 Business income or loss 48
 Business income reduced tax rate 26

C

Capital Construction Fund—subtraction 68
 Capital gain 28, 48, 64
 Capital loss carryover difference—addition 58
 Capital loss carryover difference worksheet 130

Casualty loss from state-declared emergency—subtraction.....	69
Centralized Partnership Audit Regime	
Addition	91
Adjustment report.....	41
Amount in lieu of tax paid by partners	30
Subtraction	91
Certain business expenses of reservists, performing artists, and fee-basis government officials.....	54
Child Care Fund contribution—credit.....	112
Child with a disability	99
Claim of right income repayments	
Addition	58
Credit	120
College Opportunity Grant Fund contributions—credit ...	112
Combat zone/Contingency area.....	22
Commercial fishermen	
Estimated tax	125
Underpayment interest	124
Community property income.....	18, 47
Commuting expenses, construction worker/logger— subtraction	69
Composite return, filing.....	16
Income on, subtraction.....	77
CPAR adjustments	91
CPAR amount in lieu of tax paid by partners.....	30
Credit card payments	32
Credit forfeiture.....	30
Credits and payments.....	25
Credits, carryforward	
Agriculture workforce housing	110
Bovine manure production/collection carryforward ...	111
Business energy carryforward	112
Child Care Fund contribution.....	112
College Opportunity Grant Fund contributions	112
Crop donation.....	112
Employer scholarship.....	113
Energy conservation project.....	113
Fish screening devices.....	113
Forest conservation.....	114
Lender's credit: affordable housing	114
Lender's credit: energy conservation.....	114
Long-term enterprise zone facilities.....	114
New Markets	115
Oregon IDA Initiative Fund donation	115
Oregon Low-Income Community Jobs Initiative.....	115
Oregon Production Investment Fund contributions ...	115
Publicly supported housing sale	116
Renewable energy resource equipment manufacturing facility	116
Research and development for semiconductor companies—nonrefundable	116
Residential energy.....	117
Rural technology workforce development carryforward.....	117
Short line railroad rehabilitation.....	117
Transportation projects.....	118
University venture development fund contributions ...	118
Credits, refundable	
ABLE account contributions.....	119
Agricultural employer overtime.....	119
Claim of right income repayment.....	120

Earned income.....	120
Manufactured dwelling park closure.....	120
Oregon EIC for ITIN filers	121
Oregon higher education savings plan account contributions	121
Oregon Kids Credit.....	122
Pass-through entity elective taxes paid	122
Research and development for semiconductor companies—refundable	122
Working Family Household and Dependent Care (WFHDC).....	123
Credits, standard	
Exemption	98
Income taxes paid to another state on mutually-taxed income.....	100
Oregon Cultural Trust contributions.....	104
Oregon Veterans' Home physicians	105
Pass-through income taxes paid to another state.....	104
Political contributions	105
Reservation enterprise zone	106
Retirement income	106
Rural emergency medical service providers.....	107
Rural health practitioners	108
Taxes imposed by other jurisdiction on mutually-taxed gain from sale of residence.....	108
Credit transfers	110
Credit types.....	97
Crop donation—credit.....	112

D

Dam workers; hydroelectric	49
Data security breaches.....	7
Deceased person's return.....	8
Deductions and modifications	94
Itemized deductions	94
Standard deduction	95
Age 65 or older, blind	95
Single or married filing jointly dependents	95
Dependent.....	9, 95
Depletion in excess of property basis—addition.....	59
Depreciation difference for Oregon.....	90
Direct deposit of refund	33
Direct File Oregon	10
Disaster area.....	15
Disaster relief workers.....	9
DISC dividend payments—subtraction.....	70
Disposition of inherited Oregon farmland or forestland—addition	59
Disqualified charitable donations—addition.....	60
Dividend income	49, 77
Domicile.....	13

E

Earned income—credit.....	120
Educator expenses—adjustment.....	55
Electronic filing for Oregon	10
Employee retirement plans, previously taxed—subtraction	80
Employer scholarship—credit.....	113
Energy conservation project—credit	113
Estimated tax	125
Exempt income	
Air carrier employees, nonresident.....	47
Amtrak Act.....	49

Hydroelectric dam workers.....	49
Interstate transportation wages	
Amtrak Act.....	49
Railroad Retirement Board benefits	52
Social Security benefits.....	52
Waterway workers, nonresident.....	53
Extensions of time to file.....	15
F	
Failure to file.....	45
Appeal procedure	45
Assessment of tax.....	45
Penalty, 25 percent	39
Penalty, 100 percent	40
Farmers	
Estimated tax	125
Underpayment interest	124
Farm income averaging.....	29
Farm liquidation long-term capital gain tax rate	28
Federal audits	41
Federal business income deduction—addition	60
Federal deduction for overtime wages—subtraction	70
Federal deduction for passenger vehicle interest paid— subtraction	70
Federal deduction for tip income—subtraction.....	70
Federal depreciation disconnect	90
Federal election on interest and dividends of a minor child—addition	60
Federal estate tax—addition.....	60
Federal income tax liability—subtraction	
Additional tax paid.....	71
Amended returns—how to report.....	37
Worksheet.....	71
Federal income tax refunds—addition	60
Federal law connection.....	7
Federal law disclaim—addition	96
Federally excluded income.....	48
Federal mortgage interest credit	73
Federal or other state corrections to tax returns.....	35
Federal pension income—subtraction	73
Federal return	
As if	17
Audit of	42
Extensions of time to file.....	15
Filing status.....	16
Need for.....	11
RDPs.....	19
Federal Schedule E and F income.....	48
Federal subsidies for employer prescription drug plans—addition.....	62
Federal tax credits—subtraction	74
Federal tax law	7
Federal tax worksheet	71
Fee-basis government officials, business expenses of—adjustment.....	54
Fiduciaries	
Exception to paying estimated tax	125
Federal business income deduction—addition	60
Federal estate tax—addition.....	60
Fiduciary returns.....	8
Fiduciary tax	31
Income taxes paid to another state by a pass-through entity	63

Interest and dividends on government bonds of other states	63
Fiduciary adjustment from Oregon estates and trusts	92
Filing an Oregon return.....	13
Filing requirements.....	9
Nonresidents.....	10
Part-year residents	10
Filing status.....	16
Filing your Oregon return before receiving your ITIN	19
Film production labor rebate—subtraction.....	75
First-time home buyer savings account (FTHBSA)	
contributions and earnings	75
Addition for nonqualified withdrawal.....	62
Nonqualified withdrawal penalty	40
Subtraction	75
Fish screening devices—credit.....	113
Foreign income tax—subtraction.....	76
Forest conservation—credit.....	114
G	
Gain, loss, and distributions.....	48
Gain on the sale of an Oregon residence	92
Gain or loss on sale of depreciable property with different basis for Oregon.....	92
Gambling losses claimed as an itemized deduction	62
General information	9
Global intangible low-taxed income (GILTI)	48
H	
Health savings account deduction—adjustment.....	55
Household income checklist.....	127
Housing expenses, scholarships used for—subtraction...	82
Hydroelectric dam workers.....	49
I	
Important mailing addresses.....	143
Important reminders	7
Income	47
Air carrier employees	47
Alimony received.....	47
Amtrak Act.....	49
Business income or loss.....	48
Federally excluded income.....	48
Federal Schedule E and F income.....	48
Gain, loss, and distributions.....	48
Global intangible low-taxed income	48
Hydroelectric dam workers.....	49
Individual Retirement Account distributions.....	49
Interest and dividend income	49
Interstate transportation wages	49
Like-kind exchange or involuntary conversion.....	51
Railroad Retirement Board benefits	52
Retirement income	52
Salaries.....	53
Social Security benefits.....	52
State and local income tax refunds.....	53
Taxable to Oregon	47
Unemployment insurance benefits	53
Wages	53
Waterway workers.....	53
Income averaging, farm	29
Income on a composite return—subtraction.....	77
Income taxes paid to another state on mutually-taxed income	
By a pass-through entity—addition	63

Credit, full-year residents	102
Credit, generally	100
Credit, nonresidents	103
Credit, part-year residents	102
Gain from sale of residence	108
Income tax refund, federal—addition	60
Income tax refund, Oregon—subtraction	79
Individual Development Account	
Addition	
Donation credit	63
Nonqualified withdrawal	63
Rollover to retirement account	63
Initiative Fund donation credit	115
Subtraction	76
Individual Taxpayer Identification Number	19
Inherited farmland/forestland—addition	59
Interest	
Appeals	43
Income	49
Installment sales, addition to tax	30
Refunds	38
Underpayment of estimated tax	124
Unpaid tax	38
Interest/dividends on government bonds of other states—	
addition	63
Interest/dividends on U.S. bonds/notes—subtraction	77
Interest income	49, 63, 77
Interest on certain installment sales	30
Interstate transportation wages	49
IRA conversions, previously taxed—subtraction	81
IRA or self-employed SEP and SIMPLE contributions—	
adjustment	55
Itemized deductions and add backs	94
K	
Kicker (Oregon surplus)	96
L	
Legislative Assembly expenses—subtraction	78
Lender's credit: affordable housing	114
Lender's credit: energy conservation	114
Like-kind exchange or conversions of property	51
Long-term enterprise zone facilities—credit	114
Lottery winnings—subtraction	80
Lump-sum distributions—addition	
Capital gains income	64
Ordinary income	64
M	
Mailing addresses	143
Manufactured dwelling park	
Capital gain exclusion—subtraction	78
Closure credit	120
Closure payments—subtraction	78
Marijuana business expenses—subtraction	78
Market-based sourcing	52
Medical subtraction, special Oregon	83
Military pay subtractions	21
Military personnel filing information	20
Minor child, federal election on interest and	
dividends—addition	60
Minor child's return	8
Mortgage interest credit—subtraction	73
Moving expense deduction, military personnel	20
Moving expenses—adjustment	56

Moving expenses of military spouses	24
---	----

N

Net operating losses (NOLs)	88
New information	7
New Markets—credit	115
Nonresident capital losses and loss carryovers	64
Nonresident disaster relief workers	8
Nonresident—Form OR-40-N	15
Nonresidents	
Adjustments	54
Composite return filed by pass-through entity	16
Earned income credit	120
Estimated tax	125
Exemption credit	98
Filing requirements	10
Form OR-40-N	15
Income taxes paid to another state	100
Married taxpayers with different residency status	16
Non-U.S. citizens without permanent resident status	125
Oregon percentage	94
Rental property in Oregon	10
Residency	14
Nonresident spouse of military member stationed	
in Oregon	23
Nonresidents stationed in Oregon, military	22
Numeric codes	132

O

Open estimated tax account	34
Oregon Cultural Trust contributions	104
Oregon deferral of reinvested capital gain	96
Oregon EIC for ITIN filers	121
Oregon higher education savings plan account	
contributions	
Addition, nonqualified withdrawal	65
Credit	121
Tax recapture, nonqualified withdrawal	30
Oregon IDA Initiative Fund donation	115
Oregon income tax refund—subtraction	79
Oregon Kids Credit	122
Oregon Low-Income Community Jobs Initiative—credit	115
Oregon percentage	94
Oregon Production Investment Fund (auction)	
Addition	65
Credit	115
Oregon residents living in a foreign country	13
Oregon surplus	96
Oregon tax	25
Oregon Veterans' Home physicians—credit	105
Other adjustments on federal Form 1040, Schedule 1,	
lines 23 and 25—adjustments	57
Other federally-exempt obligations	64
Other gain or loss	48
Other individual taxes	31
Other items	88
Other Oregon modifications	94
Oyster farmers	
Estimated tax	125
Underpayment interest	124

P

Partnership and S corporation modifications for Oregon	91
Part-year resident—Form OR-40-P	15
Part-year residents	

Adjustments.....	54
Earned income credit.....	120
Estimated tax	125
Exemption credit.....	98
Filing requirements.....	10
Form OR-40-P	15
Income taxes paid to another state.....	100
Married taxpayers with different residency status	16
Net operating losses	89
Oregon percentage.....	94
Residency	14
Passive activity losses.....	93
Passive foreign investment company income.....	65
Pass-through entities	
Composite tax return.....	16
Elective tax	29
Income on a composite return—subtraction.....	77
Income taxes paid to another state—addition.....	63
Income taxes paid to another state—credit.....	104
Nonresident withholding	16
Reduced tax rate.....	26
Pass-through entity elective tax	29
Pass-through entity elective taxes paid—credit	122
Pass-through income taxes paid to another state—credit...	104
Payment options.....	32
Payments and refunds.....	32
Penalties.....	39
Abusive Tax Avoidance Transactions.....	40
Failure to file, 25 percent, additional.....	39
Failure to file, 100 percent.....	40
False claim, Working Family Household and Dependent Care credit	123
Filing or paying late.....	39
First-time home buyer savings account nonqualified withdrawal.....	40
Frivolous return.....	40
Intent to evade tax.....	40
Substantial understatement of net tax	40
Penalty on early withdrawal of savings—adjustment	56
Performing artists, business expenses of—adjustment	54
Personal exemption—credit	98
Personal income tax rates	25
Political contributions—credit	105
Prescription drug plans, employer subsidies—addition..	62
Previously taxed employee retirement plans—subtraction...	80
Previously taxed IRA conversions—subtraction.....	81
Prohibited amounts for Oregon NOLs	88
Protective claim for refund	37
Psilocybin business expenses—subtraction	81
PTE-E tax deducted on entity-level federal return— addition	65
PTEs with nonresident owners	16
Publicly supported housing sale—credit	116
Public Safety Memorial Fund awards—subtraction.....	82

Q

Qualified business income reduced tax rate	26
--	----

R

Railroad Retirement Board benefits—subtraction	82
Reasons to file an amended return	36
Record-keeping requirements	11
Refund of Oregon-only itemized deductions from a prior year—addition	65
Refunds.....	32

Amended returns.....	36
Application to open estimated tax account.....	33, 34
Deceased taxpayer	32
Delays	34
Direct deposit.....	33
Injured spouse refund claims	35
Interest	38
Minimum.....	8
Oregon statute of limitations.....	35
Processing.....	34
Protective claim	37
Unclaimed property	32
Registered domestic partners	19
Renewable energy resource equipment manufacturing facility carryforward—credit	116
Requesting a waiver of penalty or interest.....	46
Required annual payment	124
Required installment payment.....	124
Research and development for semiconductor companies	
Addition	66
Carryforward credit.....	116
Refundable credit.....	122
Reservation enterprise zone—credit	106
Reservists, business expenses of—adjustment	54
Residency	13
Bona fide residence test.....	14
Domicile	13
Foreign country	13
Military personnel.....	20
Military spouses	23
Nonresidents.....	14
Part-year residents	14
Physical presence test.....	13
Special-case Oregon residents.....	13
Tax treaties	14
Resident—Form OR-40	15
Residential energy—credit.....	117
Retirement income	52
Credit	106
Revenue Online	7
Rural technology workforce development—credit.....	117

S

Salary income.....	53
Sales of Oregon real property by nonresidents	15
Scholarships used for housing expenses—subtraction	82
Self-employed health insurance—adjustment.....	56
Self-employment tax—adjustment	57
Severe disability, exemption credit	99
Short line railroad rehabilitation—credit.....	117
Social Security and Railroad Retirement Board benefits...	52
Social Security benefits—subtraction.....	83
Special Oregon medical subtraction.....	83
Special Oregon medical subtraction worksheet instructions	83
Standard credits.....	98
Standard deduction	95
State and local government bond interest.....	85
State and local income tax refunds.....	53
Statewide transit tax	31
Statute of limitations	
Generally	12
Net operating loss carryback.....	37
Notice of deficiency for listed transaction.....	40
Refunds.....	35

Student loan interest—adjustment	57
Substantial understatement of net tax penalty	40
Subtractions	
American Indian	67
AmeriCorps educational award	68
Artist's charitable contribution	68
Basis of business assets transferred into Oregon.....	91
Capital Construction Fund contributions	68
Casualty loss from state-declared emergency	69
Commuting expenses, construction worker/logger	69
CPAR adjustment.....	91
Depreciation difference for Oregon.....	90
DISC dividend payments	70
Federal deduction for overtime wages	70
Federal deduction for passenger vehicle interest paid...	70
Federal deduction for tip income	70
Federal gain previously taxed by Oregon	70
Federal income tax liability	71
Federal mortgage interest credit.....	73
Federal pension income	73
Federal tax credits	74
Fiduciary adjustment from Oregon estates and trusts ...	92
Film production labor rebate.....	75
First-time home buyer savings account contributions	
and earnings	75
Foreign income tax.....	76
Gain on the sale of an Oregon residence	92
Gain or loss on sale of depreciable property with	
different basis for Oregon.....	92
IDA contributions	76
Income on a composite return.....	77
Individual Development Account.....	76
In general.....	67
Interest and dividends on U.S. bonds and notes.....	77
Legislative Assembly expenses.....	78
Lottery winnings.....	80
Manufactured dwelling park capital gain exclusion	78
Manufactured dwelling park closure payments	78
Marijuana business expenses	78
Net operating losses for Oregon	88
Oregon income tax refund.....	79
Oregon Investment Advantage.....	79
Oregon Lottery winnings.....	80
Partnership and S corporation modifications	
for Oregon.....	91
Passive activity losses.....	93
Previously taxed employee retirement plans.....	80
Previously taxed IRA conversions.....	81
Psilocybin business expenses	81
PTE-E tax refund included on entity-level	
federal return.....	82
Public Safety Memorial Fund awards.....	82
Railroad Retirement Board benefits	82
Scholarships used for housing expenses	82
Social Security benefits.....	83
Special Oregon medical.....	83
State and local government bond interest.....	85
Suspended losses	94
Taxable benefits for former RDPs.....	86
U.S. government interest in IRA or Keogh distribution	86

Wildfire civil action legal fees	87
Wildfire civil action settlement or judgment	87
Suspended losses.....	94

T

Tables

Table 1: Filing thresholds for full-year residents	9
Table 2: Filing thresholds for part-year residents and	
nonresidents	10
Table 3: Spouses with different residency status	17
Table 4: Tax on qualified business income.....	26
Table 5: Partnership and S corporation employee	
requirements.....	27
Table 6: Refund applied as estimated tax payment	34
Table 7: Interest percentage rates	38
Table 8: Capital loss carryover difference.....	58
Table 9: Federal tax liability subtraction AGI phase-out...	72
Table 10: FTHBSA subtraction limits.....	76
Table 11: Special Oregon medical subtraction	
—maximum amount	83
Table 12: Oregon percentage examples.....	94
Table 13: Rural health practitioner credit	108
Table 14: Credit percentage.....	119
Table 15: Refundable percentage of credit.....	123
Table 16: WFHDC AGI limits	123
Taxable benefits for former RDPs—subtraction	86
Tax benefit doctrine.....	60
Taxes imposed by other jurisdiction on mutually-taxed	
gain from sale of residence—credit.....	108
Tax recaptures	30
Tax treaties.....	14
Transit self-employment tax	31
Transportation projects—credit.....	118
Two-tiered interest on deficiencies and delinquencies.....	38
Two-tiered interest on refunds	39

U

Underpayment of estimated tax, interest on.....	124
Appeals.....	42
Exceptions	124
Unemployment compensation	
Income	53
Railroad Retirement Board benefits—subtraction	82
University venture development fund contributions	
Addition	66
Credit	118
Unused business credits—addition.....	66
U.S. bonds and notes, interest on—subtraction.....	77
U.S. government interest in IRA or Keogh distribution—	
subtraction	86

W

Wage income.....	53
Waterway workers	53
Wildfire civil action subtractions	
Legal fees.....	87
Settlement or judgment.....	87
Working Family Household and Dependent Care	
(WFHDC)—credit.....	123
Medical expenses claimed as itemized deduction	66
Penalty for false claim	123
Written objection	43

Important mailing addresses

If you are responding to a specific notice or letter, use the address and contact information listed on that correspondence. Send all returns and forms to the address listed on it or its instructions. See our website for additional mailing addresses.

Physical address:

Oregon Department of Revenue
955 Center Street NE
Salem OR 97301-2555

Forms and publications requests:

Forms
Oregon Department of Revenue
PO Box 14999
Salem OR 97309-0990

Federal ITIN information:

Oregon Department of Revenue
PO Box 14999
Salem OR 97309-0990

Form OR-AUTH-REP and Form OR-AUTH-INFO:

Oregon Department of Revenue
955 Center Street NE
Salem OR 97301-2555

Fax: 503-945-8735

Return after tax has been assessed:

Oregon Department of Revenue
PO Box 14600
Salem OR 97309-5049

Donations to State School Fund:

Oregon Department of Education
Attention: Accounting
255 Capitol Street NE
Salem OR 97310-1206

Injured spouse refund requests:

Attention: Refund Review
Oregon Department of Revenue
955 Center Street NE
Salem OR 97301-2555

**Written objections, conference requests,
and requests for interest or penalty adjustments:**

Oregon Department of Revenue
PO Box 14725
Salem OR 97309-5018

Appeals to the Oregon tax court:

Oregon Tax Court
Magistrate Division
1163 State Street
Salem OR 97301-2563

Appeals of interest on underpayment of tax:

UND Team
Oregon Department of Revenue
PO Box 14725
Salem OR 97309-5018

Miscellaneous Oregon income tax information for tax years 2022–2025

(Refer to prior year return instructions before filing delinquent or amended returns)

Tax year	2022	2023	2024	2025
Return due date (Calendar year filer)	4/18/23	4/15/24	4/15/25	4/15/26

Standard deduction

Single (can be claimed as another's dependent)	\$1,150*	\$1,250*	\$1,300*	\$1,350*
Single	\$2,420	\$2,605	\$2,745	\$2,835
Married filing jointly or qualifying surviving spouse	\$4,840	\$5,210	\$5,495	\$5,670
Married filing separately	\$2,420†	\$2,605†	\$2,745†	\$2,835†
Head of household	\$3,895	\$4,195	\$4,420	\$4,560

Federal tax subtraction maximum	\$7,250–\$0‡	\$7,800–\$0‡	\$8,250–\$0‡	\$8,500–\$0‡
Exemption credit	\$219 or \$0 ^{x%}	\$236 or \$0 ^{x%}	\$249 or \$0 ^{x%}	\$256 or \$0 ^{x%}

Oregon higher education savings plan and ABLE account contribution maximum credit

Joint return	\$300	\$340	\$360	\$360
All others	\$150	\$170	\$180	\$180

Marginal tax rates

Single	4.75%	First \$3,750	First \$4,050	First \$4,300	First \$4,400
Married filing separately	6.75%	\$3,751–\$9,450	\$4,051–\$10,200	\$4,301–\$10,750	\$4,401–\$11,100
	8.75%	\$9,451–\$125,000	\$10,201–\$125,000	\$10,751–\$125,000	\$11,101–\$125,000
	9.9%	Over \$125,000	Over \$125,000	Over \$125,000	Over \$125,000
Married filing jointly	4.75%	First \$7,500	First \$8,100	First \$8,600	First \$8,800
	6.75%	\$7,501–\$18,900	\$8,101–\$20,400	\$8,601–\$21,500	\$8,801–\$22,200
Head of household	8.75%	\$18,901–\$250,000	\$20,401–\$250,000	\$21,501–\$250,000	\$22,201–\$250,000
	9.9%	Over \$250,000	Over \$250,000	Over \$250,000	Over \$250,000
Qualifying surviving spouse					

* Greater of amount shown or earned income plus a set federal amount, but not more than the standard deduction.

† If your spouse itemizes deductions, your standard deduction is \$0.

‡ If federal AGI is \$125,000 or greater, the federal tax subtraction is limited. Use the federal tax subtraction worksheet.

^x If federal AGI is more than \$100,000 (\$200,000 for a joint return), the exemption credit amount is \$0.

% The additional exemption credit for a taxpayer or spouse with a severe disability or for a child with a qualifying disability is \$0 if AGI is over \$100,000, regardless of filing status.