

# 2022 Schedule OR-FIA-40 Instructions

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(Rev. 08-25-22)

Oregon Department of Revenue

## Oregon Farm Income Averaging for Full-year Residents

### General information

**Purpose.** You may elect to figure your 2022 tax by averaging, over the previous three years (base years), all or part of your 2022 taxable farm income.

Use Schedule OR-FIA-40 to calculate your Oregon farm average income in an effort to reduce your personal income tax if you are a full-year resident.

You will need copies of your original or amended Oregon income tax returns for tax years 2019, 2020, and 2021. If your return was adjusted, use the taxable income and tax from the adjustment. You can obtain copies of prior years' returns for a small fee by going to [www.oregon.gov/dor](http://www.oregon.gov/dor) and logging in to Revenue Online, 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. You will also need tax instruction booklets for those years. You can download instructions from our website, or you can contact us to request them.

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

Farm income averaging can't be used with the qualified business income reduced tax rate under Oregon Revised Statutes (ORS) 316.043.

### Farming business

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

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

#### A farming business doesn't include:

- Contract harvesting of an agricultural or horticultural commodity grown or raised by someone else; or

- Merely buying or reselling plants or animals grown or raised by someone else.

### Elected farm income

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

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

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

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

### Line instructions

**Line 5, 2019 taxable income.** If you used FIA to figure your tax for 2021, enter on line 5 the amount from your 2021 Schedule OR-FIA-40, line 11. If you used Schedule OR-FIA-COMP to figure your tax for 2021 on Schedule OR-FIA-40, OR-FIA-40-N, or OR-FIA-40-P, enter on line 5 the amount from your 2021 Schedule OR-FIA-COMP, Computation for Tax year 2019. If you used Computation A, use the amount on line 9. If you used Computation B, use the amount on line 6. If you used Computation C, use the amount on line 3.

If you used FIA to figure your tax for 2020 but not 2021, enter on line 5 the amount from your 2020 Schedule OR-FIA-40, line 15. If you used Schedule OR-FIA-COMP to figure your tax for 2020 on Schedule OR-FIA-40, OR-FIA-40-N, or OR-FIA-40-P, enter on line 5 the amount from your 2020 Schedule OR-FIA-COMP, computation for tax year 2019. If

you used Computation A, use the amount on line 9. If you used Computation B, use the amount on line 6. If you used Computation C, use the amount on line 3.

If you used FIA to figure your tax for 2019 but didn't for 2020 or 2021, enter on line 5 the amount from your 2019 Schedule OR-FIA-40, line 3; OR-FIA-40-N, line 8; or OR-FIA-40-P, line 6.

If your 2019 taxable income was 0 or less, use the worksheet at the end of these instructions to figure the amount to enter on OR-FIA-40, line 5.

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

**Line 9, 2020 taxable income.** If you used FIA to figure your tax for 2021, enter on line 9 the amount from your 2021 Schedule OR-FIA-40, line 15. If you used Schedule OR-FIA-COMP to figure your tax for 2021 on Schedule OR-FIA-40, OR-FIA-40-N, or OR-FIA-40-P, enter on line 9 the amount from your 2021 Schedule OR-FIA-COMP, Computation for Tax Year 2020. If you used Computation A, use the amount on line 9. If you used Computation B, use the amount on line 6. If you used Computation C, use the amount on line 3.

If you used FIA to figure your tax for 2020 but not for 2021, enter on line 9 the amount from your 2020 Schedule OR-FIA-40, line 3; OR-FIA-40-N, line 8; or OR-FIA-40-P, line 6.

If your 2020 taxable income was 0 or less, use the worksheet at the end of these instructions to figure the amount to enter on Schedule OR-FIA-40, line 9.

**Line 13, 2021 taxable income.** If you used FIA to figure your tax for 2021, enter on line 13 the amount from your 2021 Schedule OR-FIA-40, line 3; OR-FIA-40-N, line 8; or OR-FIA-40-P, line 6.

If your 2021 taxable income was 0 or less, use the worksheet at the end of these instructions to figure the amount to enter on Schedule OR-FIA-40, line 13.

**Example 1.** Kevin didn't income-average for tax year 2019 or 2020 but he did so for tax year 2021 and he wants to do the same for tax year 2022. For tax years 2019, 2020, and 2021 Kevin filed joint returns. His filing status for tax year 2022 is also married filing jointly. For tax year 2019, Kevin's taxable income from Form OR-40, line 19 is \$1,112. For tax year 2020, Kevin's taxable income from Form OR-40, line 19 is \$14,250. For tax year 2021, Kevin's taxable income from Form OR-40, line 19 is \$12,777. For tax year 2022, Kevin's taxable income from Form OR-40, line 19 is \$27,900 and his elected farm income is \$24,000. For the tax years above, he has no NOLs, no NOLD carryforwards or carrybacks, and no capital losses.

For 2021, Kevin had \$12,777 of taxable income and elected \$9,000 to do farm income average, leaving \$3,777 of Oregon taxable income on his 2021 Schedule OR-FIA-40, line 3. For 2019, Kevin's recomputed taxable income after adding one-third of elected farm income from his 2021 Schedule OR-FIA-40, line 11 is \$4,112. For 2020, Kevin's recomputed taxable income after adding one-third of his elected farm

income from his 2021 Schedule OR-FIA-40, line 15 is \$17,250. For 2021, Kevin's recomputed tax after removing his elected farm income is \$178 from 2021 Schedule OR-FIA-40, line 4.

For tax year 2022, Kevin's Oregon taxable income is \$27,900. On line 2, Kevin enters his elected farm income of \$24,000. He subtracts line 2 from line 1 and enters \$3,900 on line 3. This is his remaining Oregon taxable income. He calculates his 2022 Oregon tax using the tax tables under married filing joint status and enters \$188 on line 4.

For 2019, Kevin enters \$4,112 from his 2021 Schedule OR-FIA-40, line 11, on his 2022 Schedule OR-FIA-40, line 5. He divides his elected farm income of \$24,000 by 3 and enters \$8,000 on his 2022 Schedule OR-FIA-40, line 6. He adds lines 5 and 6 and enters \$12,112 on line 7. This is his recomputed 2019 Oregon taxable income. He calculates his 2019 Oregon tax using the 2019 tax tables under married filing joint status and enters \$709 on line 8.

For 2020, Kevin enters \$17,250 from his 2021 Schedule OR-FIA-40, line 15, on his 2022 Schedule OR-FIA-40, line 9. He enters \$8,000 from his 2022 Schedule OR-FIA-40, line 6, on his 2022 Schedule OR-FIA-40, line 10. He adds lines 9 and 10 and enters \$25,250 on line 11. This is his recomputed 2020 Oregon taxable income. He calculates his 2020 Oregon tax using the 2020 tax tables under married filing joint status and enters \$1,704 on line 12.

For 2021, Kevin enters \$3,777 from his 2021 Schedule OR-FIA-40, line 3, on his 2022 Schedule OR-FIA-40, line 13. He enters \$8,000 from his 2022 Schedule OR-FIA-40, line 6, on his 2022 Schedule OR-FIA-40, line 14. He adds lines 13 and 14 and enters \$11,777 on line 15. This is his recomputed 2021 Oregon taxable income. He calculates his 2021 Oregon tax using the 2021 tax tables under married filing joint status and enters \$647 on line 16.

On his 2022 Schedule OR-FIA-40, he adds lines 4, 8, 12, and 16 and enters \$3,248 on line 17. He enters his recomputed 2019 tax of \$208 from 2021 Schedule OR-FIA-40, line 12, on his 2022 Schedule OR-FIA-40, line 18. Kevin enters his recomputed 2020 tax of \$1,020 from 2021 Schedule OR-FIA-40, line 16, on his 2022 Schedule OR-FIA-40, line 19. He enters his recomputed 2021 tax of \$178 from 2021 Schedule OR-FIA-40, line 4, on his 2022 Schedule OR-FIA-40, line 20. He adds lines 18, 19, and 20 and enters \$1,406 on line 21. This is the recomputed tax he paid for the 2019, 2020, and 2021 tax years.

Kevin subtracts the recomputed tax of \$1,406 on line 21 from the recomputed tax of \$3,248 on line 17 and enters the result of \$1,842 on line 22. He figures his tax on \$27,900 using the 2022 tax tables and enters \$1,918 on line 23. Because the FIA tax is less than the tax tables, he will enter \$1,842 on line 24. This is Kevin's 2022 tax liability from farm income averaging. He enters this figure on his 2022 Form OR-40, line 20, and checks box 20a.

**Example 2.** John didn't use farm income averaging for 2019, 2020, or 2021. For tax year 2022, John has elected farm income

on Schedule OR-FIA-40, line 2 of \$18,000. His Oregon taxable income shown on his 2019 Form OR-40, line 19, is \$6,150.

John had an NOL for tax year 2020 of \$22,950, which he elected to carry back two years. Of the \$22,950 loss, \$9,000 was carried back to tax year 2019. To complete line 1 of the 2019 worksheet, John combines the \$9,000 NOLD with his 2019 Oregon taxable income of \$6,150 from Form OR-40, line 19. The result, a negative \$2,850, is entered on the 2019 worksheet, line 1.

When John filed his 2019 tax return, he had a \$3,000 net capital loss deduction on federal Schedule D, line 21, a \$7,000 loss on federal Schedule D, line 16, and a \$4,000 capital loss carryover to 2020. However, when John carried back the 2020 NOL to 2019, he refigured his 2019 capital loss carryover to tax year 2020 as \$7,000. To calculate line 2 of the 2019 worksheet, John adds the \$3,000 from federal Schedule D, line 21, and the \$7,000 carryover. He subtracts from the result the \$7,000 loss on his federal Schedule D, line 16, and enters \$3,000 on the 2019 worksheet, line 2.

John had \$6,150 of Oregon taxable income in 2019 that reduced the 2020 NOL carryback. The \$3,000 net capital loss deduction also reduced the amount of the 2020 NOL carryback. Since these two figures together total \$9,150, there is no NOLD left to carry over to tax year 2021. Therefore, John enters 0 on line 3. John adds line 1, a negative \$2,850, line 2, a positive \$3,000, and line 3. He enters the result, a positive \$150, on line 4 of the worksheet and on 2022 Schedule OR-FIA-40, line 5. This figure represents John's recomputed Oregon taxable income for tax year 2019.

For tax year 2020, John's taxable income from Form OR-40, line 21 is negative \$30,250, which he enters on the 2020 worksheet, line 5.

John had a \$3,000 net capital loss deduction on Schedule D, line 21 and a \$7,000 loss on Schedule D, line 16, the carryover from 2019 to 2020. John adds the \$3,000 from Schedule D, line 21, and the \$7,000 carryover. He subtracts from the result the \$7,000 loss on Schedule D, line 16, and enters \$3,000 on line 6 of the worksheet. John enters \$22,950 on line 7 of the worksheet, his 2020 NOL.

John adds lines 5, 6, and 7 ( $< \$30,250 > + \$3,000 + \$22,950$ ) and enters the result, negative \$4,300, on line 8 of the worksheet and on 2022 Schedule OR-FIA-40, line 9. This figure represents John's recomputed Oregon taxable income for tax year 2020.

For tax year 2021, John's taxable income from Form OR-40, line 19 is negative \$1,750. This amount includes an NOLD of \$2,300 which was the portion of the 2020 NOL that was remaining to be carried forward from tax year 2019. John doesn't have an NOL for tax year 2021. John enters negative \$1,750 on the 2021 worksheet, line 9.

John had a \$3,000 net capital loss deduction on Schedule D, line 21, a \$7,000 loss on Schedule D, line 16, and a \$5,000 capital loss carryover to 2021 (his 2020 capital loss carryover to 2021 was \$5,000, not \$4,000, because his federal taxable income before exemptions was a negative \$1,000). John adds the \$3,000 from Schedule D, line 21, and the \$5,000 carryover. He reduces the result by the \$7,000 loss on his Schedule D, line 16, and enters \$1,000 on the 2021 worksheet, line 10.

John enters 0 on line 11 of the worksheet because he doesn't have an NOL for 2021 and didn't have any remaining NOLD to carryforward. John's \$2,300 NOLD for 2021 was reduced to 0 because it didn't exceed his federal AGI as modified for the capital loss deduction, the net operating loss, and the standard or recomputed itemized deductions. John adds lines 9, 10, and 11 ( $< \$1,750 > + \$1,000 + \$0$ ), and enters the result, negative \$750, on line 12 of the worksheet and on 2022 Schedule OR-FIA-40, line 13. This figure represents John's recomputed Oregon taxable income for tax year 2021.

## Forms and additional resources

Visit our website at [www.oregon.gov/dor/forms](http://www.oregon.gov/dor/forms), to download:

- Current forms, instructions, and publications.
- Prior year forms and instructions.

Access Oregon tax forms and instructions on our website anytime, or contact us to order them.

## Do you have questions or need help?

[www.oregon.gov/dor](http://www.oregon.gov/dor)  
503-378-4988 or 800-356-4222  
[questions.dor@dor.oregon.gov](mailto:questions.dor@dor.oregon.gov)

Contact us for ADA accommodations or assistance in other languages.



## 2019 taxable income worksheet

1. Figure the taxable income from your 2019 tax return without limiting it to 0. Include any NOLD carryovers or carrybacks if you didn't have an NOL in 2019. Don't include any NOLD carryover or carryback from other years if you had an NOL in 2019. Enter the result here ..... 1. \_\_\_\_\_
2. If there is a loss on your 2019 federal Schedule D, line 21, add that loss (as a positive amount) and your 2019 capital loss carryover to 2020. Subtract from that sum the amount of the loss on your 2019 federal Schedule D, line 16. Enter the result here..... 2. \_\_\_\_\_
3. If you had an NOL for 2019, enter it as a positive amount here. Otherwise, enter the portion (if any) of the NOLD carryovers and carrybacks to 2019 that were not used in 2019 and were carried to tax years after 2019 as a positive amount here ..... 3. \_\_\_\_\_
4. Add lines 1, 2, and 3. Enter the result here, and on OR-FIA-40, line 5 ..... 4. \_\_\_\_\_

## 2020 taxable income worksheet

5. Figure the taxable income from your 2020 tax return without limiting it to 0. Include any NOLD carryovers or carrybacks if you didn't have an NOL in 2020. Don't include any NOLD carryover or carryback from other years if you had an NOL in 2020. Enter the result here..... 5. \_\_\_\_\_
6. If there is a loss on your 2020 federal Schedule D, line 21, add that loss (as a positive amount) and your 2020 capital loss carryover to 2021. Subtract from that sum the amount of the loss on your 2020 federal Schedule D, line 16. Enter the result here ..... 6. \_\_\_\_\_

7. If you had an NOL for 2020, enter it as a positive amount here. Otherwise, enter the portion (if any) of the NOLD carryovers and carrybacks to 2020 that were not used in 2020 and were carried to tax years after 2020 as a positive amount here ..... 7. \_\_\_\_\_
8. Add lines 5, 6, and 7. Enter the result here and on OR-FIA-40, line 9 ..... 8. \_\_\_\_\_

## 2021 taxable income worksheet

9. Figure the taxable income from your 2021 tax return without limiting it to 0. Include any NOLD carryovers or carrybacks if you didn't have an NOL in 2021. Don't include any NOLD carryover or carryback from other years if you had an NOL in 2021. Enter the result here..... 9. \_\_\_\_\_
10. If there is a loss on your 2021 federal Schedule D, line 21, add that loss (as a positive amount) and your 2021 capital loss carryover to tax year 2022. Subtract from that sum the amount of the loss on your 2021 federal Schedule D, line 16. Enter the result here ..... 10. \_\_\_\_\_
11. If you had an NOL for 2021, enter it as a positive amount here. Otherwise, enter the portion (if any) of the NOLD carryovers and carrybacks to 2021 that were not used in 2021 and were carried to tax years after 2021 as a positive amount here ..... 11. \_\_\_\_\_
12. Add lines 9, 10, and 11. Enter the result here and on OR-FIA-40, line 13..... 12. \_\_\_\_\_