

# 2021 Schedule OR-FIA-40-N Instructions

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(Rev. 09-01-21)

Oregon Department of Revenue

## Oregon Farm Income Averaging for Nonresidents

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### General information

**Purpose.** You may elect to figure your 2021 tax by averaging, over the previous three years (base years), all or part of your 2021 taxable farm income.

Use Schedule OR-FIA-40-N to calculate your average Oregon farm income, if you are a nonresident.

You will need copies of your original or amended Oregon income tax returns for tax years 2018, 2019, and 2020 to figure your tax on OR-FIA-40-N. If your return was adjusted, use the taxable income and tax from the adjustment. You can obtain copies of prior years' returns by going to [www.oregon.gov/dor](http://www.oregon.gov/dor) and logging in to Revenue Online, or you may request copies by mail for a small fee for each return. You will also need tax instruction booklets for those years, along with Schedule OR-FIA-COMP and instructions which you can download from our website, or you can contact us to request them.

Farm income averaging can't be used with the qualified business income reduced tax rate under Oregon Revised Statute (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 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 line 2. Don't enter more than the amount on line 1. *While federal law allows averaging of fishing business income, Oregon law doesn't. Don't include fishing business income on 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. Oregon source farm income includes income or loss received from an Oregon farm while you were a nonresident and farm income or loss received during any portion of the year you were an Oregon resident.

You don't have to include all of your taxable income from farming on OR-FIA-40-N or OR-FIA-40-P, 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.

### 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.