

Notice of Updated Content

2025 Oregon Income Tax Full-year Resident Printed Booklet

This notice explains the content that has been updated for this publication.

Form OR-40 Instructions

Oregon Kids Credit

On page 22, in the explanation of the **Eligibility** requirements for the Oregon Kids Credit, replace the third paragraph with this:

3. Have qualifying income under \$31,550, including Oregon additions and subtractions and with excluded foreign earned income and total losses greater than \$20,000 added back. Deducted tip income, overtime wages, and passenger vehicle interest paid must also be added back. Use the **Oregon Kids Credit worksheet** to figure your credit.

Replace **Instructions for Oregon Kids Credit worksheet** on page 23 with the following:

Part A: Credit amount

Line 1. Enter your income after subtractions from Form OR-40, line 15.

Line 3. If you're claiming a loss on your federal return, the foreign earned income exclusion, or a subtraction on Schedule OR-ASC, see the instructions for Part B. Otherwise, enter 0 on line 3.

Line 4. Qualifying income. If the amount on this line is:

- \$26,550 or less, your Oregon Kids Credit is \$1,050 multiplied by the number of your qualifying dependents (up to a maximum of \$5,250).
- More than \$26,550 but less than \$31,550, your credit will be reduced using the steps on lines 6 through 10.
- \$31,550 or more, you can't claim the Oregon Kids Credit.

Part B: Loss and exclusion add back

Your qualifying income may include up to \$20,000 in losses deducted from your federal AGI or subtracted on your Oregon return. Loss amounts above \$20,000 and excluded foreign earned income must be added back to your income after Oregon additions and subtractions.

Line 11. Enter losses claimed on your Form 1040 and Schedule OR-ASC (using subtraction codes 321, 355, 356, or 357 only), as indicated on lines 11a through 11g. If the amount shown on the indicated line is not a loss, do not enter it on the worksheet. Enter all losses as positive numbers.

- **Line 11b.** If you claimed a subtraction using code 359 or 385, compare your subtraction amount to the income reported on Form 1040, Schedule 1, line 3. If the subtraction is less than your income, you don't have a loss; skip line 11b. Otherwise, subtract the income amount from the subtraction amount and enter the result on line 11b.

On page 23, in the **Examples**, change the references to lines 10, 10b, 10d, 10e, and 10h to lines 11, 11b, 11d, 11e, and 11h, respectively.

Continued on next page

On page 23, replace **Part A** of the **Oregon Kids Credit Worksheet** with the following:

1. Enter your income after subtractions from Form OR-40, line 15. 1. _____
2. If you deducted tip income, overtime wages, or passenger vehicle interest paid, enter the combined amount of the subtractions from Schedule OR-ASC, Section B (codes 390, 391, and 392 only). 2. _____
3. **Loss and exclusion add back.** If you are claiming any losses on Form 1040, claiming the foreign earned income exclusion, or have an amount greater than 0 on Form OR-40, line 13, complete Part B. Enter the amount from Part B, line 13 here. Otherwise, enter 0 here and go to line 4. 3. _____
4. Add lines 1, 2, and 3.
Is line 4 \$31,550 or more?
 - If **yes**, **STOP**. You can't claim the Oregon Kids Credit.
 - If **no**, continue to line 5.4. _____
5. Phaseout amount. 5. \$26,550
6. Line 4 minus line 5. If less than zero, enter 0. 6. _____
7. Line 6 divided by \$5,000. Round to two decimal places. 7. _____
8. Credit amount before phaseout:
 - 8a. Number of dependent children age five or younger at the end of 2025. 8a. _____
Don't enter more than 5.
 - 8b. Maximum credit amount per child. 8b. \$1,050
- Line 8a multiplied by line 8b. 8. _____
9. Credit reduction. Line 7 multiplied by line 8. 9. _____
10. Line 8 minus line 9. This is your Oregon Kids Credit. 10. _____

Enter the amount from line 10 on Form OR-40, line 38.

On page 24, replace **Part B** of the worksheet with the following:

11. Enter your losses, as positive amounts, from:
 - 11a. Capital (loss) from Form 1040, line 7a. 11a. _____
 - 11b. Business (loss) from Form 1040, Schedule 1, line 3. If you claimed Oregon subtraction code 359 or 385, see instructions. 11b. _____
 - 11c. Other (loss) from Form 1040, Schedule 1, line 4. 11c. _____
 - 11d. Rental real estate, etc. (loss) from Form 1040, Schedule 1, line 5. 11d. _____
 - 11e. Farm (loss) from Form 1040, Schedule 1, line 6. 11e. _____
 - 11f. Net operating loss from Form 1040, Schedule 1, line 8a. 11f. _____
 - 11g. Losses from Schedule OR-ASC, Section B (codes 321, 355, 356, and 357 only). 11g. _____
 - 11h. Add lines 11a through 11g. 11h. _____
Line 11h minus 20,000. If less than zero, enter 0. 11. _____
12. Enter the amount from Form 1040, Schedule 1, line 8d. 12. _____
13. Line 11 plus line 12. 13. _____

Enter the amount from line 13 on Part A, line 3.