

2018

OREGON

Publication OR-17

Individual Income Tax Guide

Important updates

March 27, 2020

On March 27, 2020, Congress passed Public Law 116-136, the Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act. The act grants taxpayers a five-year carryback period for Net Operating Losses (NOLs) arising in tax years beginning after December 31, 2017 and before January 1, 2021. Oregon is tied to the federal carryforward and carryback rules under ORS 316.028. Therefore, the changes in the CARES Act will be treated equally for Oregon with regards to NOLs. See “Net operating losses (NOLs) for Oregon” in “Other items.”

December 26, 2019

In December 2019, Congress passed Public Law 116-94, which extended certain tax provisions that affect Oregon taxable income. Some provisions were extended retroactive to tax year 2018. We’ve updated this publication to include information about the federal deduction for qualified tuition and fees and the related Oregon subtraction. You can find more information about the deduction under “Adjustments” and Oregon’s subtraction under “Subtractions.”

February 1, 2019

A recent federal law has changed how military spouses’ residency may be treated for state tax purposes. This change is effective for the 2018 tax year. See “Military spouses” in “Military personnel filing information” for details.

January 22, 2019

Rural health practitioner credit clarification. Beginning with tax year 2018, the rural health practitioner credit can’t be claimed if the individual qualifying for the credit has adjusted gross income (AGI) over \$300,000. If filing a joint return, the AGI limitation applies to each individual.

Example: Mary and Phillip file a joint return reporting AGI of \$427,000. Mary is a rural health practitioner and received certification from the Office of Rural Health that she qualifies for a \$5,000 tax credit. Mary and Phillip apportion their AGI and determine that \$238,000 is attributable to Mary’s income. Since Mary’s AGI isn’t over \$300,000, she can claim the rural health practitioner credit on her jointly filed return.

January 10, 2019

Domestic production activities deduction. If you’re an owner of a fiscal-year pass-through entity and you’re claiming this federal deduction on your 2018 return, see “Federal law disconnect” in “Other items” for information about the Oregon addition.

Technical corrections. We made some technical corrections to our description of the Oregon Investment Advantage subtraction.

December 19, 2018

Qualified business income reduced tax rate. Due to a recent decision by the Magistrate Division of the Oregon Tax Court, our instructions for making the election to use the reduced tax rate for qualified business income on an amended return have changed. If you file for an extension and amend your return before the extension due date, you may change the election on the amended return. See “Qualified business income reduced tax rate” for details.

This publication supplements the Oregon income tax instruction booklet and the Internal Revenue Service 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@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 attachments.

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@oregon.gov.
- Corporate income or excise tax: corp.help.dor@oregon.gov.
- Corporate minimum tax: minimum.tax.help@oregon.gov.
- Payroll and business tax: payroll.help.dor@oregon.gov.
- Inheritance/estate tax: estate.help.dor@oregon.gov.

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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 2018 Oregon tax is due **April 15, 2019**.

Federal law connection. Oregon has a rolling tie to changes made to the definition of federal taxable income, with the specific exceptions noted below. For all other purposes, Oregon is tied to federal income tax laws as amended and in effect on **December 31, 2017**.

Federal tax reform. Congress made changes to several provisions in the Internal Revenue Code (IRC) in December 2017, as part of legislation popularly known as the "Tax Cuts and Jobs Act." Most of the changes for personal income taxpayers are in effect for tax years 2018 through 2025. The **federal** changes listed below may also affect your Oregon return.

- **Standard deduction**—The federal standard deduction amount was increased for all filers. As a result, some Oregon filers won't have a federal filing requirement, but they may still have an **Oregon filing requirement**.
- **Personal exemption deduction**—This deduction from adjusted gross income (AGI) was suspended for tax years 2018 through 2025. This change doesn't affect Oregon taxable income, but it may affect the way dependents are reported on the Oregon return. See Publication OR-40-FY or Publication OR-40-NP.
- **Section 529 college savings plan funds used for K-12 expenses**—The federal tax exemption for earnings on 529 accounts was expanded to include funds used for K-12 tuition. **Oregon is disconnected from this change.** Funds and earnings from Oregon 529 accounts may be used only for higher education expenses. See "Oregon 529 college savings plan nonqualified withdrawal" in "Additions."
- **Achieving a Better Life Experience (ABLE) account contributions**—The beneficiary of an ABLE account may contribute their own wages to the account without regard to the federal limit on annual contributions. Oregon's subtraction limit isn't affected by this change.
- **Rollovers from 529 savings plan accounts to ABLE accounts**—These rollovers are considered qualified withdrawals and don't require an Oregon addition. However, they don't qualify for the subtraction for contributions to an ABLE account if the funds were previously subtracted as a contribution to a 529 account. See "ABLE accounts" in "Subtractions."
- **Medical expense itemized deduction 7.5 percent AGI floor**—The AGI floor for the medical expense deduction was rolled back to 7.5 percent for the 2017 and 2018 tax years for all taxpayers.
- **State and local tax itemized deduction**—There is now a \$10,000 limit on the combined total of state and local income and property taxes you can deduct.

The limit is \$5,000 if your filing status is married filing separately. These limits also apply to Oregon itemized deductions. See "Itemized deductions" in "Other items" and the instructions for the new Schedule OR-A.

- **Casualty and theft loss itemized deduction**—This deduction has been suspended except for casualty losses resulting from presidentially-declared disasters. Oregon follows all federal treatment with regard to such disasters, including extensions of time to file returns and make estimated payments.
- **Miscellaneous itemized deductions subject to the 2 percent of AGI limit.** These suspended deductions include the following:
 - Employee business expenses.
 - Tax preparation fees.
 - Claim of right income repayments of \$3,000 or less.
 - Certain investment expenses.
- **Overall limit on itemized deductions**—The limit on itemized deductions for taxpayers with AGI above a certain amount has been suspended.
- **Qualified business income deduction (QBID)**—The QBID is a deduction for certain sole proprietors and owners of pass-through entities. **Oregon is disconnected from this deduction.** This deduction doesn't flow through to the Oregon return, so there is no addition to report.
- **Alimony received or paid**—The change to this income item and deduction will affect tax years after 2018. See these topics in "Income" and "Adjustments" for more information.
- **Business expenses**—Changes to depreciation and other business expenses will flow through to your Oregon return. See the 2018 edition of IRS Publication 535, *Business Expenses*.
- **Moving expense deduction**—This deduction has been suspended for all taxpayers except active duty military personnel and their spouses who relocate due to a permanent change in duty station. See "Military personnel filing information."
- **Like-kind (1031) exchanges**—This method of deferring gain on the disposition of business or investment property that isn't held primarily for sale is now limited to real property only. Nonresidents who dispose of personal property located in Oregon will no longer be required to file Form OR-24 when they exchange it for property located outside of Oregon because they can't defer the gain.
- **Repatriation of deferred foreign income**—This type of foreign income is taxed at a special federal rate. Oregon taxpayers with this income will have an addition on their 2018 return. See **this topic** in "Other items."
- **Global intangible low-taxed income (GILTI)**—This is a type of foreign income received by shareholders

of certain foreign corporations. See [this topic](#) in ["Income."](#)

- **Repeal of qualified production activities income deduction**—Oregon wasn't tied to this deduction, which expired at the end of tax year 2017. See ["Federal law disconnect"](#) in ["Other items"](#) if you're an owner of a fiscal-year pass-through entity with this deduction.
- **Partnership technical terminations**—Partnerships with a change in ownership during the tax year will no longer need to report a technical termination or pay the additional Oregon partnership tax.

Oregon exceptions:

- 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 college savings plan funds used for K-12 tuition. Oregon 529 plan funds may be used for higher education expenses only. If previously subtracted contributions are withdrawn and used for K-12 tuition, you'll have an addition on your Oregon return.
- IRC Section 199A deduction for noncorporate qualified business income (QBI). Oregon is disconnected from the QBI. This is a deduction from federal AGI and doesn't flow through to the Oregon return so there is no addition to report.

New information

Oregon Schedule OR-A. Oregon has developed its own version of the schedule used for reporting itemized deductions that aren't reported elsewhere on the return. Oregon's version is similar to the federal Schedule A, but was designed to meet the needs of Oregon taxpayers.

New check boxes. Two check boxes were added to the front page of the return forms:

- **Federal Form 8886.** If you filed federal Form 8886, *Reportable Transaction Disclosure Statement*, mark this box on your return.
- **Federal disaster relief.** If you were affected by a presidentially-declared disaster, check the "Federal disaster relief" box.

Oregon Form OR-W-4. Because of recent changes to federal Forms W-4 and W-4P, Oregon will have a separate W-4 for state personal income tax withholding. Using Form OR-W-4 will help you more accurately withhold state taxes from your wages or pension. Go to www.oregon.gov/dor to learn more about Oregon income tax withholding and Form OR-W-4.

Federal tax liability subtraction. The federal tax subtraction limit is \$6,650 (\$3,325 if married filing separately) for 2018. It may be limited further based

on your adjusted gross income (AGI). For more information, See ["Federal income tax liability"](#) in ["Subtractions."](#)

Oregon 529 College Savings Network and ABL account limits. Contribution limits have increased to \$4,750 for taxpayers filing joint returns and \$2,375 for all others. See these topics under ["Subtractions."](#)

Special Oregon medical subtraction. You or your spouse must be age 65 or older on December 31, 2018 to qualify for the subtraction. See ["Special Oregon medical subtraction."](#)

Tuition and fees deduction and subtraction. As of the date this publication was printed, Congress had not renewed the federal tuition and fees deduction for tax years after December 31, 2017. Unless Congress extends the sunset date, the deduction and the related Oregon subtraction won't be available for tax years beginning on or after January 1, 2018. See this topic in ["Adjustments"](#) or ["Subtractions."](#)

Oregon qualified business income reduced tax rate. This special tax rate for pass-through entities doing business in Oregon has been expanded so that sole proprietorships may now qualify. We've also changed our instructions for electing the reduced rate on an amended return when filing on extension. See [this topic](#) in ["Other items."](#)

Credit change. The former biomass tax credit has sunset, although unused credit amounts may be carried forward through tax year 2021. This credit has been replaced with a certified credit for producers and collectors of bovine (cattle) manure. See ["Bovine manure"](#) in ["Carryforward credits."](#)

New tax credit auction. There is a new tax credit available through an auction to benefit the Oregon Opportunity Grant Fund. See ["College Opportunity Grant"](#) in ["Carryforward credits"](#) for more information.

Rural health practitioners credit. This credit is no longer available to medical practitioners who have adjusted gross income over \$300,000, unless the medical practitioner is a general surgeon or is a physician who specializes in obstetrics or provides obstetrical services. See [this topic](#) in ["Standard credits"](#) for more information.

Working family household and dependent care credit (WFHDC). If you paid dependent care expenses while you attended school, and you're not married, you may now qualify for the WFHDC. See [this topic](#) in ["Refundable credits"](#) and the instructions for Schedule OR-WFHDC.

Statewide transit tax. This is a new income tax that will help fund public transportation services and improvements within Oregon. 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 an employee who is a nonresident but who

performs services in Oregon. If you are an Oregon resident or nonresident and work for a business located in Oregon, your employer is required by law to automatically withhold the STI tax from your wages. If you are an Oregon resident and work for an employer located outside of Oregon, your employer isn't required to withhold the tax on your behalf, but may choose to do so voluntarily. If your out-of-state employer doesn't withhold the STI tax from your wages, you must file Form OR-STI, *Statewide Transit Individual Tax Return*, and pay the tax due by April 15, 2019. See the instructions for Form OR-STI.

Market-based sourcing. For tax years beginning on or after January 1, 2018, 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, 314.666, and OAR 150-314-0435.

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 letters from us.
- Make or schedule payments.
- Securely communicate with us.
- Check balances and view your tax account history.
- Check the status of this year's refund.
- 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."

Earned income credit (EIC). Oregon's EIC is 11 percent of the federal earned income tax credit (EITC) if you have a qualifying dependent under age 3 at the end of the tax year. For all other qualified taxpayers, the Oregon EIC is 8 percent of your federal EITC. See "Refundable credits" for more information.

Military pay. Oregon doesn't tax your military pay if you aren't an Oregon resident. Also, if you performed active military service in 2018, and your Defense Finance and Accounting System payroll address was outside Oregon, Oregon considers you to be a nonresident and won't tax your military pay. If you are an Oregon resident, you may continue to subtract federally taxable military pay from your Oregon income if you earned it outside Oregon from August 1, 1990, through the date the president sets as the end of combat activities in the Persian Gulf. The president had not declared an end to combat activities when this

publication was printed. For more information about residency and the Oregon military pay subtractions, see "Military personnel filing information."

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 at a bank, credit union, or other financial institution. See "Direct deposit of refund" in "Payments and refunds." You can also have your refund deposited directly into an Oregon 529 college 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 his or her 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@oregon.gov.

Additional exemption credits. Additional exemption credits for severely disabled taxpayers and for disabled children 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."

Oregon tax credits. Most Oregon tax credits are limited to your tax liability. However, report the full amount of each credit on Schedule OR-ASC or OR-ASC-NP, even if you can't use all of the credit this year. Some credits allow a carryforward of any unused amount. When you prepare this year's return, refer to last year's Schedule OR-ASC or OR-ASC-NP to see if you have any unused credit to carry forward. See "Carryforward credits" to find out which credits you can carry forward to future years.

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

Disaster relief. 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.

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 in 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

Note: The amounts on this chart apply to gross income from all taxable sources.

You must file an Oregon return if:

Your filing status is:	Number of boxes checked below line 17 of Form OR-40:	And your gross income is more than:
Single, can be claimed on another’s return	Any	See “Dependents”
Single	-0-	\$6,075
	1	\$7,275
	2	\$8,475
Married filing jointly	-0-	\$12,150
	1	\$13,150
	2	\$14,150
	3	\$15,150
	4	\$16,150
Married filing separately	-0-	\$6,075
	1	\$7,075
	2	\$8,075

Head of household	-0-	\$7,590
	1	\$8,790
	2	\$9,990
Qualifying widow(er)	-0-	\$8,455
	1	\$9,455
	2	\$10,455

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 your income is more than the lesser of:

- The standard deduction allowed on your federal return, 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.

1. Enter gross income from all taxable sources. 1. \$ _____
2. Earned income \$____ plus \$350. Enter total. 2. _____
3. Set federal amount. 3. 1,050
4. Enter the larger of line 2 or 3. 4. _____
5. Enter the Oregon standard deduction for a single person:
 - Basic standard deduction: \$2,215.
 - Age 65 or older, or blind: \$3,415.
 - Age 65 or older and blind: \$4,615.
 5. _____
6. 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.

1. Enter gross income from all taxable sources: \$800 plus \$29. 1. \$ 829
2. Earned income \$800 plus \$350. Enter total. 2. 1,150
3. Set federal amount. 3. 1,050
4. Enter the larger of line 2 or 3. 4. 1,150

5. Enter the Oregon standard deduction for a single person: 5. 2,215
- Basic standard deduction: \$2,215.
 - Age 65 or older, **or** blind: \$3,415.
 - Age 65 or older **and** blind: \$4,615.
6. Enter the smaller of line 4 or 5. 6. \$ 1,150

Because line 6 (\$1,150) 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, is claimed as a dependent by his son. Norman has income of \$3,015 from a pension and interest. He doesn't have any other taxable income.

1. Enter gross income from all taxable sources. 1. \$3,015
2. Earned income plus \$350. Enter total. 2. 350
3. Set federal amount. 3. 1,050
4. Enter the larger of line 2 or 3. 4. 1,050
5. Enter the Oregon standard deduction for a single person: 5. 3,415
- Basic standard deduction: \$2,215.
 - Age 65 or older, **or** blind: \$3,415.
 - Age 65 or older **and** blind: \$4,615.
6. Enter the smaller of line 4 or 5. 6. \$1,050

Because line 1 (\$3,015) is more than line 6 (\$1,050), Norman is required to file an Oregon return.

Example 3: Katrina is single, age 19, a full-time student, and claimed as a dependent by her mother. Katrina didn't work but had \$1,057 of unearned interest income from her certificate of deposit.

1. Enter gross income from all taxable sources. 1. \$1,057
2. Earned income \$0 plus \$350. Enter total. 2. 350
3. Set federal amount. 3. 1,050
4. Enter the larger of line 2 or 3. 4. 1,050
5. Enter the standard deduction for a single person: 5. 2,215
- Basic standard deduction: \$2,215.
 - Age 65 or older, **or** blind: \$3,415.
 - Age 65 or older **and** blind: \$4,615.
6. Enter the smaller of line 4 or 5. 6. \$1,050

Because line 1 (\$1,057) is more than line 6 (\$1,050), Katrina is required to file an Oregon return.

Part-year residents and nonresidents

Note: The amounts on the following chart apply to gross income from Oregon taxable sources while

a nonresident and gross income from all taxable sources while an Oregon resident. You must file an Oregon return if:

Your filing status is:	And your Oregon gross income is more than:
Single, can be claimed on another's return	\$1,050*
Single	\$2,215
Married filing jointly	\$4,435
Married filing separately	
If spouse claims standard deduction	\$2,215
If spouse itemizes deductions	-0-
Head of household	\$3,570
Qualifying widow(er)	\$4,435
* The larger of \$1,050 or your earned income plus \$350, up to your standard deduction amount.	

If your Oregon income is less than the amount in this chart, you aren't required to file a return.

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

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.

Practitioners are automatically approved for Oregon electronic filing after the IRS acceptance of Form 8633,

Application to Participate in the Electronic Filing Program. 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.

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: Form 1040 with Schedules 1 through 5 (if applicable), 1040X, 1040NR, or 1040NR-EZ. 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-2s and 1099s 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 federal 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.

- Cancelled 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 written separation agreement or the divorce, separate maintenance, or support decree.
- 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 it was disposed of. 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 a Wage and Tax Statement (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 Internal Revenue Service Publication 17, *Your Federal Income Tax for Individuals*.

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, 2017, at noon. He establishes his tax home in England and remains there until 2 p.m. on March 21, 2019, 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, 2017, and ends April 24, 2018.
- Another 12-month period starts on March 21, 2018, and ends March 20, 2019, 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 2017, 2018, and 2019. He should file Oregon part-year returns for 2017 and 2019, and a nonresident return for 2018.

Example 2: Use the facts in Example 1, but change Juan’s arrival date to June 23, 2018. 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 2018 and 2019 as well as 2017.

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, 2017. On June 10, 2018, she moves out of her residence and spends six weeks at a hotel in Alaska. On July 22, 2018, she establishes a bona fide residence in South Korea. She is transferred back to the United States on May 8, 2019. 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 2019. 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 2018. Sandra also qualifies for nonresident treatment for the months in 2017 and 2019 that she maintained the bona fide foreign residence. She should file Oregon part-year returns for 2017 and 2019.

For more information about physical presence or bona fide residence, see federal Publication 54, *A Tax Guide for U.S. Citizens and Resident Aliens Abroad*.

Tax treaties. If a United States 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 2018. She temporarily worked in Medford as a computer consultant for two months in 2018. 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.](#)”

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 a six-month extension of time to file. For 2018 returns, this means you have until October 15, 2019, 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, 2019. If you don't, you will owe interest on the unpaid balance from April 16, 2019, 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 presidentially-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 "Federal disaster relief" box on your return.

Extension for filing returns

Oregon accepts your federal extension. If you didn't file for a federal extension, but you need more time to file your Oregon return and you owe tax, submit a payment by check or money order using Form OR-40-V and check the "Extension payment" box on the form. You don't need to submit Form OR-40-V if you aren't paying by check or money order. However,

when you make your payment, indicate that you are making an extension payment. Your extension payment must be received by April 15, 2019, to avoid penalties and interest on the amount paid.

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, 2019.

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.

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, *Tax Payments on Real Property Conversions*, available

on our website. If required, the nonresident transferor and escrow agent will complete Form OR-18-WC together, and the escrow agent will submit the form and any required payment. Keep a copy of this form for your own records.

Pass-through entities (PTEs)

Reduced tax rate (ORS 316.043). Owners reporting nonpassive distributive income from a partnership or S corporation may be eligible for the Oregon qualified business income reduced tax rate available to owners of PTEs and sole proprietors. See [“Other items”](#) for more information.

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. 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. 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. Oregon follows federal tax treatment.

- LLCs that choose to be taxed as corporations file the same forms as corporations (Form OR-20 or Form OR-20-I).
- LLCs with two or more members who choose to be taxed as partnerships file using the same form as partnerships (Form OR-65).
- A single-member LLC that chooses to be taxed as a sole proprietorship files federal Schedule C, Schedule E, or Schedule F with their individual income tax return.

PTEs with nonresident owners (ORS 314.778, 314.784)

Composite tax return. A PTE must file Form OR-OC 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 Form OR-19 instructions on our website.

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 each of you has a different residency status, 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 nonresident aliens because these taxpayers may not file joint federal returns. For information on RDP filing, see [“Registered domestic partners.”](#)

Which forms do we file?

- **Full-year resident and part-year resident.** If you file separate Oregon returns, the full-year resident files Form OR-40 and the part-year resident files Form

OR-40-P. If you choose to file a joint return for Oregon, file Form OR-40-P. The full-year resident reports all income from all sources for the year. The part-year resident reports all income while a resident and all Oregon-source income while a nonresident.

- **Full-year resident and nonresident.** If you file separate Oregon returns, the full-year resident files Form OR-40 and the nonresident files Form OR-40-N. If you choose to file a joint return for Oregon, file Form OR-40-N. The full-year resident reports all income from all sources for the year. The nonresident reports only Oregon-source income.
- **Nonresident and part-year resident.** If you file separate Oregon returns, the nonresident files Form OR-40-N and the part-year resident files Form OR-40-P. If you choose to file a joint return for Oregon, file Form OR-40-N. The nonresident reports only Oregon-source income. The part-year resident reports all income while a resident and Oregon-source income while a nonresident.

Note: If you file separate federal returns, you must file separate Oregon returns. If you are a nonresident spouse without Oregon income, and you are filing separately for Oregon, 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 Form 1040 showing how the return would have appeared if you had filed a separate federal return, along with a copy of the joint federal Form 1040 that you actually filed. 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 a portion of his or her joint federal tax liability. Multiply the joint federal tax liability (after all credits except the EIC) by your percentage to determine your federal tax subtraction.

Itemized deductions. Multiply each itemized deduction by your percentage to compute the amount to include on your separate Schedule OR-A 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 \$2,215 for each spouse.
- **Age 65 or older, or blind.** Each taxpayer is entitled to an additional deduction if he or she is age 65 or older, or if he or she is 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 regular \$2,215 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 his separate "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:

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

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

(His subtraction is limited to \$3,325; 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 Oregon 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 her separate "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 \$3,325.)

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 Oregon 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. Federal 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 "Credit for income taxes paid to another state," for more information on this credit.)

If they file separate returns for Oregon, Julie will file using Form OR-40. Julie will fill out a 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 nonresident 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 same-sex 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 of the same sex, 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 federal Publication 17, *Your Federal Income Tax for Individuals*, for information about other filing status requirements. To correctly figure your Oregon tax liability, you need to complete a 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" 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 a return that assumes you were allowed to file a joint or separate federal return. Use all the same IRS rules and procedures that apply to married couples, except for the federal tax liability. This is called the "as if" federal return. **Important:** Don't file this "as if" form 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 on the 'other income' line 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" 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 Internal Revenue Service (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 your 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) 829-1040.

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 2018 Oregon tax return by April 15, 2019.
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

Oregon follows federal law, including the Servicemember's Civil Relief Act (SCRA). Under the SCRA, military pay of a nonresident for service within Oregon isn't considered to be income from Oregon sources. As a member of the military, if you are stationed in Oregon, but you aren't domiciled in Oregon, your military pay isn't taxed by Oregon.

If you are domiciled in Oregon, but stationed outside of the state, you could be treated as a nonresident for tax purposes if you meet the "special-case nonresident" exception requirements. If you are domiciled in Oregon, and performing military service in Oregon, your military pay is subject to tax, although the pay could qualify for certain subtractions.

Military personnel performing active service within Oregon are treated as nonresidents for tax purposes, if their address in the payroll records of the Defense Finance and Accounting System (DFAS) is outside Oregon, no matter where they are domiciled (ORS 316.027).

Moving expense deduction

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

- You are on active duty in the United States Army, Navy, Air Force, Marines, or Coast Guard,
- 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 or B:

- 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.

If you meet the requirements in either A or B above, 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 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 printed. 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.
- **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: 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. 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.
- **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.

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 for a nonresident.

Example 3: Caitlyn was domiciled in Oregon when she joined the U.S. Army in 2010, and she hasn't established a new domicile in another state. Since July 2016 she has been stationed at the Army's chemical depot in Umatilla, and her DFAS address is her apartment in Kennewick, Washington. Along with her military pay, in 2018 she earned interest from a savings account in an Oregon bank and has wages from an off-duty job in Kennewick. Since Caitlyn is treated as a nonresident for tax purposes, her military pay isn't taxed by Oregon. The interest she earned from the Oregon bank isn't taxed because she is considered to be a nonresident. She also isn't taxed on the wages from her Kennewick job. Caitlyn isn't required to file an Oregon return for 2018 unless Oregon tax was withheld from her military pay.

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 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.

Note: Oregon follows federal law regarding the treatment of combat pay and related remedies. If you served in the Sinai Peninsula of Egypt after June 8, 2015, and you’re amending your federal return for tax year 2015 to exclude this military pay, be sure to amend your Oregon return if Oregon taxed this income. If you were assessed related penalties or interest, contact us for further instructions.

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 2018 Oregon income tax withheld because you had no tax liability, **and**
- You expect a refund of all 2019 Oregon income tax withheld because you reasonably believe you won’t have any tax liability, **and**
- For all of 2019, expect to be stationed outside of Oregon, or you’ll 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 and follow the instructions to declare that you’re exempt using the appropriate code. Give Form OR-W-4 to your pay clerk.

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.

Oregon follows federal law, including the SCRA and the Military Spouse Residency Relief Act (MSRRA). 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. **Note:** This exemption doesn't apply to spouses who are also members of the military.

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 you're exempt using the appropriate code. File the form with your employer.

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 United States Army, Navy, Air Force, Marines, or Coast Guard, 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.

Payments and refunds

Payment options

Payment is due on April 15, 2019, 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 2019 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 2019, 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.
- 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.

Direct deposit of refund

Your income tax refund can be deposited directly into your account at a bank or other financial institution, including credit unions.

If you are filing a joint return, both you and your spouse must sign the tax return. Without both signatures, we can't deposit the refund directly into your account.

Note: Some banks may not accept direct deposits into accounts that are payable through another bank. Also, some banks don't permit the deposit of a joint refund into an individual account. In addition, we can't direct deposit a refund if the final destination is a foreign bank account.

Direct deposit—necessary numbers

The diagram illustrates a check with the following details:

- Payee:** Paul Maple, Deborah Maple, 1234 Windy Oaks Drive, Anytown OR 90000
- Bank:** ANYTOWN BANK, Anytown OR 90000
- Routing number:** 250 2500 25
- Account number:** 20 20 20 "" 88 "" 1 234
- Amount:** 1234 (with a box for the dollar amount and "DOLLARS" written below)
- Check number:** 1234 (written in the top right corner)
- Warning:** A box states "Do not include the check number".
- Watermark:** A large "SAMPLE" watermark is overlaid on the check.

Contact your bank to make sure your deposit will be accepted. Make sure you have your correct routing number (from a check, not from a deposit slip) and account number. See the sample check on the next page for help in identifying these numbers.

- **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.

It's your responsibility to make sure your bank information is correct. The department can't correct deposits made to an incorrect bank account approved by you.

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

Application of refund

If you are due a refund of taxes paid on your Form OR-40, OR-40-N, or OR-40-P, you may apply some or all of your refund to any of the following:

- Your open estimated tax account.
- A charitable contribution.
- An Oregon 529 college savings plan.
- A political party checkoff (Form OR-40 filers only).

Estimated tax payment. If you choose to apply some or all of your refund as an estimated tax payment to a later tax year, you may only apply your refund to an open estimated tax account. The election to apply your refund to an open estimated tax account is **irrevocable**. An open estimated tax account is an account that is set up prior to the due date of your personal income tax return, for which no return has been filed. The account closes when your return is filed, or if no return is filed, by the due date of the return.

Example 1: Beth filed her 2018 Form OR-40 on April 5, 2019, claiming a refund of \$500 that she elected to apply to her estimated tax account. The \$500 payment will be applied as an estimated tax payment to Beth's 2019 estimated tax account.

Example 2: Ray filed his 2017 return on May 13, 2019. Ray claimed a \$2,500 refund on his 2017 return and elected to apply \$2,000 of the refund as an estimated tax payment. Even though Ray hasn't filed his 2018

return yet, it's past the due date. Therefore, his estimated tax payment of \$2,000 will be applied to his 2019 estimated tax account. Ray will claim the \$2,000 as an estimated payment when he files his 2019 return.

Example 3: Sally filed her original 2017 Oregon return in February 2018, showing a \$650 refund. She elected to apply the entire amount as an estimated tax payment of 2018 tax. In March 2019, before she filed her 2018 return, Sally filed an amended 2017 Oregon return showing an additional \$1,500 refund. She elected to apply \$500 of this refund as an estimated tax payment.

On her amended return, Sally enters the total of \$1,150 (\$650 + \$500) as the amount she wants to apply as an estimated tax payment. Unless Sally contacts us to let us know she wants the refund applied to her 2018 tax, we will apply the \$500 overpayment to her 2019 estimated tax account. Sally will claim the \$500 payment when she files her 2019 return.

Example 4: Use the same facts as Example 3, except that Sally files her amended 2017 return in May 2019. She still enters \$1,150 on her amended return as the amount she wants to apply as an estimated tax payment. The \$500 will be applied to her 2019 tax, even if she hasn't yet filed her 2018 return. She can't choose to apply it to her 2018 tax, because it's past the due date.

Charitable contribution or 529 college savings plan deposit. See the form instructions for filing your return for details on using your refund to make a charitable contribution or deposit to an Oregon 529 College Savings Network account.

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 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.
- 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 (and federal Schedules 1 through 5, if applicable to your Form 1040).
- Failure to include Schedule OR-A if you're claiming itemized deductions.
- Claiming the WFHDC or manufactured home 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 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.

Send your refund claim to this address:

Attention: Accounts Resolution Team
Oregon Department of Revenue
955 Center Street NE
Salem OR 97301-2555

Visit www.oregon.gov/dor for answers to common questions. Click on "frequently asked questions," then enter "injured spouse" in the search bar.

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 after three years, 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 2015 Oregon return and paid \$300 tax due on time. In March 2018, he discovered he had forgotten to report some interest income. He amended his return. He paid \$220 additional tax

on April 1, 2018. On August 4, 2019, Bob discovers he failed to claim a large charitable contribution he made in 2015. Bob must amend his 2015 return by April 1, 2020. 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 have two years from the date of the correction to amend your Oregon return and claim a refund, even if the three-year statute of limitations has expired.

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 have a net operating loss (NOL) and will carry back the NOL to a prior year.
- You need to correct the income or deductions 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. Fill out the entire worksheet using the corrected information. **Note:** You can elect to donate your amended refund to a charitable checkoff or political party or deposit your amended refund to an Oregon 529 College Savings Network account, but you can’t reduce your original election.
5. Enter the total amount of overpaid tax for the year being amended that you would like to apply to an open estimated tax account, plus any refund amount that you already asked us to apply to an open estimated tax account. For more information

about applying refunds to open estimated tax accounts, see “Application of refund” in “Payments and refunds.”

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 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 on my amended return?

Usually not, but there are a few exceptions. Follow these guidelines to see if the federal tax liability amount should be changed on your amended return:

- 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.
- Did you amend your **federal** return before the due date (not including extensions) 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.
- 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**.
- 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.
- The amount of federal tax liability you may subtract on your return is limited if your AGI is within a certain range. A table showing these ranges and limitation amounts can be found under **"Federal income tax liability"** in **"Subtractions."** Is your amended AGI now within a different range? If so, **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.

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 2018 for an audit adjustment on her 2015 federal tax return. She will include the adjusted items when she completes her amended 2015 Oregon tax return, but won't change the 2015 federal tax subtraction. Because she paid the additional tax in 2018, she will subtract this amount, up to the annual limit, on her 2018 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 2017 return, with an AGI of \$138,000. She paid \$35,000 in federal taxes during 2017. Her federal tax subtraction was limited to \$2,600 because of her AGI. In 2018, she amended her 2017 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 \$3,900, 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 refunds. Interest is charged on tax only and is paid on tax only. Interest isn't charged on penalty. We don't charge compound interest. The following table shows interest rates since 2007. For previous interest rates, contact us. The dates listed are when the interest rates were adjusted each year.

Interest percentage rates			
Interest dates	Annual	Monthly	Daily
January 1, 2007	9%	0.75%	0.0247%
January 1, 2009	6%	0.5%	0.0164%
January 1, 2010	5%	0.4167%	0.0137%
January 1, 2013	4%	0.3333%	0.0110%
January 1, 2017	5%	0.4167%	0.0137%
January 1, 2018	5%	N/A	0.0137%
January 1, 2019	6%	N/A	0.0164%

The annual interest rate is 6 percent as of January 1, 2019. The interest rate may be changed once per calendar year. Prior to January 1, 2018, an interest period was one full month (for example, April 16 through May 15 was one interest period). Interest was figured daily for a fraction of a month, based on a 365-day year. As of January 1, 2018, interest is figured daily, based on a 365-day 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

You must figure interest on the amount of tax not paid by the due date of your return. Interest owed on income tax starts the day after the original return's due date and goes to the date of your payment. Even if you get an extension to file, you still owe interest if you pay after the return's original due date. **An extension to file isn't an extension to pay.**

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.

Example: Nick filed an amended income tax return for tax year 2016 on March 12, 2019. His original 2016 return was due on April 18, 2017. He paid additional tax of \$500 with his amended return. Here is how Nick figures the interest that he owes:

April 19, 2017 to December 18, 2017
 8 full months = 8 interest periods at 0.4167%
 $0.004167 \times \$500 \times 8 \text{ months} \dots\dots\dots = \$ 16.67$

December 19, 2017 to December 31, 2017
 13 days (fractions of a month) at 0.0137%
 $0.000137 \times \$500 \times 13 \text{ days} \dots\dots\dots = \$ 0.89$

January 1, 2018 to December 31, 2018
 365 days at 0.0137%
 $0.000137 \times \$500 \times 365 \text{ days} \dots\dots\dots = \$ 25.00$

January 1, 2019 to March 12, 2019
 71 days at a daily rate of 0.0164%
 $0.000164 \times \$500 \times 71 \text{ days} \dots\dots\dots = \$ 5.82$

Total interest \$48.38

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

Interest is paid on refunds due to you if we don't issue your refund by the 45th day after receiving your original return or the due date if the return was filed early. If you amend your return after the original due date, interest will be paid on refunds after the 45th day following the due date of the original return or the date the original was received, whichever is later. If you file your return before the due

date, it's considered received on the due date. If we issue your refund before the 45th day after receiving your return, you won't be paid interest.

Interest on NOL carrybacks is computed starting on the 45th day after the filing date or due date of the return for the loss year, whichever is later.

Example 1: Irina filed her original 2017 income tax return on February 14, 2019, to claim a \$1,900 refund of tax paid. The return was due on April 17, 2018. We issued the refund on May 7, 2019, more than 45 days after Irina filed the return. The interest on the refund is calculated as follows:

February 15, 2019 to March 31, 2019	
45 days, no interest paid	
April 1, 2019 to May 7, 2019	
0.000164 x \$1,900 x 37 days	\$ <u>11.53</u>

Example 2: Jean filed her original 2016 return on April 18, 2017. She then filed an amended 2016 return on April 23, 2019, which shows a \$1,000 refund. Here is how we figure the interest due on Jean's refund, as of the date she filed the amended return:

April 19, 2017 to June 2, 2017	
45 days, no interest paid	
June 3, 2017 to December 2, 2017	
0.004167 x \$1,000 x 6 months	= \$ 25.00
December 3, 2017 to December 31, 2017	
0.000137 x \$1,000 x 29 days	= \$ 3.97
January 1, 2018 to December 31, 2018	
0.000137 x \$1,000 x 365 days	= \$ 50.00
January 1, 2019 to April 23, 2019	
0.000164 x \$1,000 x 113 days	= \$ <u>18.53</u>
Total interest	\$ <u>97.50</u>

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 or deposit into an Oregon 529 College Savings Network account.

Interest isn't paid on the portion of a refund attributable to the EIC 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."

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 rate will increase from 4 percent yearly beginning 61 days after the date the final judgment is entered.

Penalties

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 standard and carry-forward credits) that wasn't paid by the original due date.

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

- You file federal Form 4868, *Extension of Time to File U.S. Individual Income Tax Return* (the automatic extension of time to file), or send us a payment according to the instructions in Publication OR-EXT; and
- You pay at least 90 percent of your tax after credits by the original due date; and
- You file your return within the extension period; and
- You pay the balance of tax due when you file your return; and
- You 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 unpaid tax. The failure-to-file penalty is in addition to the 5 percent failure-to-pay penalty.

Example: Rosa filed her 2018 return on August 5, 2019. Her return was due April 15, 2019. She didn't have an extension. She paid the tax due of \$2,000 with the return. Here is how she figures her penalty:

Penalty (failure-to-pay)	
0.05 x \$2,000 tax	= \$ 100
Penalty (failure-to-file)	
0.20 x \$2,000 tax	= \$ <u>400</u>
Total penalties	\$ <u>500</u>

Note: Rosa will also owe interest for late payment of tax.

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

- File federal Form 4868, *Extension of Time to File U.S. Individual Income Tax Return* (the automatic extension of time to file); or

- Make a payment according to the instructions in Publication OR-EXT, and
- File the return within three months after the due date (including extensions).

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, 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, 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 2018 has been understated by more than \$2,400 (\$3,550 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.

WFHDC 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.

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.

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 after 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 already 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, such as an exemption credit for the same dependent claimed by divorced taxpayers, in order to efficiently resolve the matter. 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 on the request for information 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. They include the review of income and expenses from businesses, farms, partnerships, corporations, or rentals. Field audits usually require a meeting with the auditor. The time and place of the meeting will be arranged between you and the auditor.

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 your home or office, 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 leave the records while the audit is being conducted. You may ask for a receipt for the records you leave.

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, or you may designate someone to represent you, 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 our *Tax Information Authorization and Power of Attorney for Representation* form. 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 correction to claim a refund of Oregon tax as a result of the audit adjustment. See "Oregon statute of limitations for 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) 150-305-0060. 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 150-305-0060).
- 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

If you are appealing interest on underpayment of estimated tax (UND), include "Attention: UND Team" with the mailing address.

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. The auditor's email address should be included in the contact information of the notice you received. We can't guarantee the security of information sent 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 "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/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. Payment stops interest charges 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 2016 was due April 18, 2017. Three years after that date is April 18, 2020. To receive a refund of excess tax payments for 2016, your return must be postmarked by April 18, 2020.

Where to mail your return after tax is assessed

Send paper returns, with a copy of your federal Form 1040 and Schedules 1 through 5 (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/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. Payment stops more interest from being charged. 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 150-305-0060). Most penalty and interest charge disagreements

can be resolved with us. For more information on your appeal rights when 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 "Residency" 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. If all of your wages are exempt, enter -0- in 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, complete an additional withholding certificate. Use Form OR-W-4 and follow the instructions to declare that you're exempt using the appropriate code. File the form with your employer.

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.

Part-year residents. Oregon taxes any alimony you received for the part of the year you were a resident of Oregon.

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

Business income or loss

Oregon is disconnected from the federal deduction for qualified business income in new IRC Section 199A. This deduction doesn't flow through to the Oregon return.

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 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.

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. Add to that figure 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 and nonresidents. 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.

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, see the nonresident instructions. Exempt only the wages earned during the part of the year you were a nonresident of Oregon. Mark the “Employment exception” box on your return and exclude the wages you earned while working on any of the dams listed here.

Nonresidents. You are exempt from Oregon tax on wages earned while working on the McNary, John Day, The Dalles, or Bonneville dams. Mark the “Employment exception” box on Form OR-40-N, and show that this income is exempt by entering -0- in the Oregon column for these wages. 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, complete an additional withholding certificate. Use Form OR-W-4 and follow the instructions to declare that you’re exempt using the appropriate code. File the form with your employer.

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 regular 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. File Form OR-40-N and show this income is exempt by entering -0- in the Oregon column for these wages. Check the “Employment exception” box on your return.

State income tax provisions in the federal Amtrak Reauthorization and Improvement Act of 1990, Public Law 101-322, can be found in Title 49, United States Code (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 U.S. Secretary of Transportation or the Fair Labor Standards Act. You can’t be subject to both.

For employees of interstate motor carriers or motor private carriers, you must:

- 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,” **and**
- 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, but won’t include the exempt income from Adam’s wages in the Oregon column. Only Natalya’s wages are entered 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 and show this income is exempt by entering a zero in the Oregon column for these wages.

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 and show this income is exempt by entering a zero in the Oregon column for these wages.

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 his 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 her 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.

Example 9: Ken is a nonresident who works as a line repairman for a utility company. He uses a company truck with a gross vehicle weight of more than 10,000 pounds to make service calls in both Oregon and Washington.

Ken's wages aren't exempt from Oregon taxation because the utility company's truck isn't a "commercial motor vehicle" (a motor vehicle used to transport passengers or property). Ken's Oregon wages are taxable by Oregon. He must file Form OR-40-N and include his 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 wages. 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 you're exempt using the appropriate code. File the form with your employer and attach an explanation of your qualifying duties. 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)

Beginning with the 2018 tax year, only real property in the United States that is voluntarily exchanged for other real property in the United States will qualify for deferral of gain under IRC Section 1031. Involuntary conversions under IRC Section 1033 aren't affected by this change.

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, or involuntarily converted. 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.

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 maintain 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:

- Social Security,
- Stock options,
- Restructured stock plans,
- Severance plans, or
- Unemployment insurance benefits.

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 benefits and other taxable income

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

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

Nonresidents. Oregon taxes any unemployment insurance 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 show this income is exempt by entering a zero in the Oregon column for these wages. 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 an additional withholding certificate. Use Form OR-W-4 and follow the instructions to declare that you're exempt using the appropriate code. File the form with your employer.

Adjustments

The items in this section are adjustments to “Adjusted Gross Income” reported on federal Schedule 1 of Form 1040. For full-year residents, these items flow through to your Oregon return, so no adjustments are needed. Part-year residents and nonresidents must report these items on Form OR-40-P or OR-40-N. Items with an adjustment code must be reported in section 1 of Schedule OR-ASC-NP. Enter the total amount from section 1 on your return. If there is no numeric code provided for an adjustment, the amount is reported directly on your 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. Oregon allows a deduction for alimony you paid while an Oregon resident. Oregon also allows a partial deduction for alimony paid while a nonresident if you had Oregon-source income. Use the nonresident formula to determine your deduction amount. Add these amounts together for your total deduction.

Nonresidents. Oregon allows a partial deduction for alimony you paid while a nonresident if you had Oregon-source income. Use this formula to determine your 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

Full-year residents. Oregon allows the deduction you claimed on your federal return. The federal deduction flows through to your Oregon return via your federal AGI. You may not claim an additional deduction on your Oregon return.

Part-year residents. Oregon allows a deduction for the expenses you incurred while you were an Oregon resident. Enter the full amount in the federal column and the Oregon amount in the Oregon column of Schedule OR-ASC-NP.

Nonresidents. Your reservist income isn’t taxed by Oregon; therefore, you may not take an expense deduction. Enter the full amount in the federal column and -0- in the Oregon column of Schedule OR-ASC-NP.

Performing artists

Full-year residents. Oregon allows the deduction you claimed on your federal return. 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. Oregon allows the deduction claimed on your federal return for expenses paid while you were an Oregon resident. Oregon also allows a partial deduction for these business expenses while you were a nonresident if you had Oregon-source income. Use the formula under **Nonresidents** to determine your nonresident deduction amount. Enter the sum of the Oregon amounts in the Oregon column of Schedule OR-ASC-NP, and the full federal amount in the federal column.

Nonresidents. Oregon allows a partial deduction for your performing artist employee 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 deduction:

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

Fee-basis government officials

If you are a government official who is paid on a fee basis instead of wages or salary, the expenses you have for performing services may be claimed on your federal return as an adjustment instead of being claimed as an itemized deduction. This section explains how these expenses are treated on your Oregon return.

Full-year residents. Oregon allows the deduction you claimed on your federal return. The federal deduction flows through to your Oregon return via your federal AGI. You may not claim an additional deduction on your Oregon return.

Part-year residents. Oregon allows a deduction for the expenses you paid while you were an Oregon resident. Oregon also allows 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 your nonresident deduction. Add your resident and nonresident amounts together for your total Oregon deduction. Enter this amount in the Oregon column and the federal amount in the federal column of Schedule OR-ASC-NP. **Note:** Your Oregon deduction can't be more than the deduction allowed on your federal return.

Nonresidents. Oregon allows a partial deduction for your expenses for performing official services while you were a nonresident, if you had Oregon-source income. Use this formula to determine the deduction amount to enter in the Oregon column of Schedule OR-ASC-NP. Enter the federal amount in the federal column of the schedule. Your Oregon deduction can't be more than the deduction allowed on your federal return.

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

Educator expenses

Full-year residents. Oregon allows the deduction claimed on your federal return. The federal deduction flows through to your Oregon return via your federal AGI. You won't claim an additional deduction on your Oregon return.

Part-year residents. Oregon allows a deduction for the qualified educator expenses you paid while you were an Oregon resident. Oregon also allows the amount of qualified educator expenses you paid while working in an Oregon elementary or secondary school during the part of the year you were a nonresident of Oregon. You may deduct the total you paid but not more than the amount allowed on your federal return.

Nonresidents. Oregon allows a deduction for the qualified educator expenses you paid while working in an Oregon elementary or secondary school. You may deduct the total you paid but not more than the federal amount.

Health savings account (HSA) deduction

[Adjustment code 003]

Full-year residents. Oregon allows the deduction you claimed on your federal return. The federal deduction

flows through to your Oregon return via your federal AGI. You may not claim an additional deduction on your Oregon return.

Part-year residents. Oregon allows a deduction for your HSA contribution made while you were an Oregon resident. Oregon also allows a partial deduction for your contribution while you were a nonresident if you had Oregon-source income. Use the formula under **Nonresidents** to determine your nonresident deduction amount. Add these amounts together and enter the sum in the Oregon column of Schedule OR-ASC-NP. Enter the federal amount in the federal column of the schedule.

Nonresidents. Oregon allows a partial deduction for your HSA contribution while you were a nonresident if you had Oregon-source income. Use this formula to determine your deduction. Enter this amount in the Oregon column and the federal amount in the federal column of Schedule OR-ASC-NP.

$$\frac{\text{Oregon-source income while a nonresident}}{\text{Total income from all sources while a nonresident}} \times \frac{\text{HSA contribution made while a nonresident}}{\text{Total income from all sources while a nonresident}} = \text{Nonresident deduction}$$

IRA or self-employed SEP and savings incentive match plan for employees (SIMPLE) contributions

Oregon follows the federal definition of earned income and compensation used to calculate your IRA and other retirement plan deductions.

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. Oregon allows the same deduction you claimed on your federal return. The federal deduction flows through to your Oregon return via your federal AGI. You may not 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)

Beginning with tax year 2018, this deduction is only allowed for active-duty members of the United States Army, Navy, Air Force, Marines, or Coast Guard, or their spouses, who are ordered to relocate due to a permanent change in duty station (known as a PCS move). See ["Military personnel filing information"](#) for more information.

Penalty on early withdrawal of savings

[Adjustment code 004]

Full-year residents. Oregon allows the same deduction you claimed on your federal return. The federal deduction flows through to your Oregon return via your federal AGI. You may not claim an additional deduction on your Oregon return.

Part-year residents. Oregon allows the same deduction you claimed on your federal return if the penalty is related to interest taxed by Oregon. Enter the federal and Oregon amounts on Schedule OR-ASC-NP.

Example: Liam claimed a deduction of \$1,795 on his federal return for an early withdrawal penalty. Only 30 percent of the interest income related to this penalty is taxable by Oregon and reportable in the Oregon

column. Liam's Oregon deduction is also limited to 30 percent of the penalty, so his deduction will be \$539.

Nonresidents. Because Oregon generally doesn't tax interest of a nonresident, there is no deduction for a nonresident. Enter the full amount in the federal column on Schedule OR-ASC-NP and -0- in the Oregon column.

Self-employed health insurance

This deduction is limited to earned income from your trade or business for which the insurance plan was established.

Full-year residents. Oregon allows you the same deduction you claimed on your federal return. 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 allows a deduction for 100 percent of your health insurance premiums related to your self-employment for the part of the year you were an Oregon resident. Add the health insurance premiums paid by an Oregon business from which you received self-employment income while a nonresident. Your total Oregon deduction can't be more than your federal deduction and is limited to the earnings from self-employment reported in the Oregon column.

Self-employment tax

Full-year residents. Oregon allows the deduction you claimed on your federal return. 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 allows a deduction for self-employment tax related to earnings taxed by Oregon. Your Oregon deduction can't be more than your federal deduction. Use this formula:

$$\frac{\text{Self-employment earnings taxed by Oregon}}{\text{Total self-employment earnings}} \times \frac{\text{Federal deduction for self-employment tax}}{\text{self-employment tax}} = \text{Oregon deduction}$$

Student loan interest

Full-year residents. Oregon allows the deduction you claimed on your federal return. 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. Oregon allows a deduction for the student loan interest you paid while you were an

Oregon resident. Oregon also allows a partial deduction for student interest you paid while you were a nonresident if you had Oregon-source income. Use the formula under **Nonresidents** to determine your nonresident deduction amount. Add these amounts together for your total deduction. Your total Oregon deduction can't be more than your federal deduction.

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 your federal deduction. Use this formula to determine your deduction.

$$\frac{\text{Oregon-source income while a nonresident}}{\text{Total income from all sources while a nonresident}} \times \frac{\text{Student loan interest paid while a nonresident}}{\text{Nonresident deduction}} = \text{Nonresident deduction}$$

Tuition and fees

Update. As of December 20, 2019, the federal deduction of up to \$4,000 in higher education tuition and fees has been extended, retroactive for tax years after 2017.

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

Part-year residents. Oregon allows a deduction for the qualified tuition and fees you paid while you were an Oregon resident. Oregon also allows a partial deduction for your tuition and fees expense paid while you were a nonresident if you had Oregon-source income. Use the formula below to determine your nonresident deduction amount. Add these amounts together for your total deduction. Your total deduction for Oregon can't be more than the federal limit.

Nonresidents. Oregon allows a partial deduction for the tuition and fees you paid while you were a nonresident if you had Oregon-source income. Use the formula below to determine your deduction amount. Your total Oregon deduction can't be more than the federal limit.

$$\frac{\text{Oregon-source income while a nonresident}}{\text{Total income from all sources while a nonresident}} \times \frac{\text{Qualified tuition and fees paid while a nonresident}}{\text{Nonresident deduction}} = \text{Nonresident deduction}$$

Write-in adjustments on federal Form 1040, Schedule 1, line 36

[Adjustment code 005]

Did you include any of these write-in deductions from federal income on Form 1040, Schedule 1, line 36 or Form 1040NR, line 34? If so, enter the full amount in the federal column on Schedule OR-ASC-NP, and any amount incurred while an Oregon resident or which are deductible from Oregon-source income while a nonresident in the Oregon column.

- 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.
- Repayment of supplemental unemployment benefits under the Trade Act of 1974.
- Contributions to Section 501(c)(18)(D) pension plans.
- Contributions by certain chaplains to Section 403(b) plans.
- Attorney fees and court costs for actions involving certain unlawful discrimination claims to the extent of gross income from such actions.
- Attorney fees and court costs you paid in connection with an award from the IRS for helping them detect tax law violations, up to the amount of the award includible in your gross income.
- Scholarship and fellowship grants excluded on Form 1040NR, Line 31.
- Domestic production activities income deduction from a fiscal-year pass-through entity, where the deduction was generated in a tax year beginning before December 31, 2017. See also "Federal law disconnect" in "Other items."

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. For part-year residents and nonresidents, some additions will be reported as modifications. This is required when an amount you are adding must be adjusted for Oregon tax purposes. When this is the case, a modification code is provided with the explanation for that addition. Enter the numeric code and the dollar amount of each addition or modification on Schedule OR-ASC or OR-ASC-NP. The total dollar amount of additions and modifications is then reported on your return.

If there is no numeric code provided for an addition or modification, the amount is reported directly on your return.

Note: 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 an addition on Schedule OR-ASC or a negative modification on Schedule OR-ASC-NP.

- Child Care Fund contributions.
- Claim of right income repayments.
- Donations to disqualified charitable organizations.
- Federal estate tax.
- Gambling losses.
- Income taxes paid to another state by individuals.
- Oregon IDA Initiative Fund donations.
- Interest and dividends on government bonds of other states.
- Oregon Production Investment Fund contributions.
- Renewable Energy Development contributions.
- University venture development fund contributions.
- Medical expenses claimed for the WFHDC credit.

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@oregon.gov for information about this addition.

Achieving a Better Life Experience (ABLE) Account nonqualified withdrawal [ORS 316.680(2)(k)]

[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 deposit" in "Subtractions."

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 shown in this table. If so, contact us for instructions for calculating your Oregon addition.

If you claimed:	and your federal AGI was between:
The standard deduction on both your federal and Oregon returns.	Oregon standard deduction minus \$3,000 and federal standard deduction.
Itemized deductions on both your federal and Oregon returns.	Total Oregon itemized deductions minus \$3,000 and federal itemized deductions.
The standard deduction on your federal return and itemized for Oregon only.	Total Oregon itemized deductions minus \$3,000 and federal standard deduction.
You have an addition on your Oregon return.	

Child Care Fund contributions (ORS 315.213)

[Addition code 142] [Modification code 642]

If you claimed a deduction on Schedule OR-A for the amount you paid for your Child Care Fund contribution tax credit, you will have an Oregon addition for the portion of your deduction included in your credit.

Example: Fern made a contribution to the Child Care Fund in the amount of \$10,000. On her Oregon return she will claim a credit of \$5,000 for her contribution (she is limited to 50 percent of her contribution, or her tax liability, in any given year). If Fern claims the \$10,000 contribution as an itemized deduction on her Schedule OR-A, she must add back \$5,000 to her income on Schedule OR-ASC.

For more information on the **Child Care Fund tax credit**, see this topic under “Carryforward credits.”

Part-year residents and nonresidents. See “Oregon itemized deductions” in “Other items” to learn how to report your addition using a negative modification on Schedule OR-ASC-NP.

Claim of right income repayments (ORS 315.068)

[Addition code 103] [Modification code 649]

Did you repay more than \$3,000 of income taxed by Oregon in a prior year and claim a federal claim of right deduction under IRC Section 1341? If so, you may claim an Oregon credit based on the Oregon tax you paid in that earlier year for the income that you repaid.

If you claimed the repayment deduction on your federal return or Schedule OR-A, you may choose to allow the deduction to flow through to your Oregon return or you may claim the Oregon credit, but you may not do both. If you choose to allow the deduction to flow through, there is nothing more to do. If you choose to claim the credit, however, you must add back your federal deduction or some or all of your itemized deduction on Schedule OR-ASC or Schedule OR-ASC-NP.

See the instructions for Worksheet OR-CRC, *Claim of Right Income Repayments*, to determine which option you should choose.

College Opportunity Grant contributions (Or Laws 2018, ch 108, § 2)

[Addition code 165] [Modification code 652]

If you claimed an itemized deduction on Schedule OR-A for the amount you paid for your College Opportunity Grant tax credit, and you are claiming the credit on your return, you will have an Oregon addition for the amount of your deduction.

Example: John bid on \$4,000 worth of College Opportunity Grant credits during this year’s auction. He won all the credits that he bid on and paid \$3,950 for

them. On his Oregon return, John claims the \$4,000 credit, and includes the same amount as an itemized deduction on Schedule OR-A. He must add back that amount to his income. He reports both the addition and the credit on Schedule OR-ASC.

For more information on the **College Opportunity Grant credit**, see this topic under “Carryforward credits.”

Part-year residents and nonresidents. See “Oregon itemized deductions” in “Other items” to learn how to report the addition as a negative modification on Schedule OR-ASC-NP.

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.

Discharge of indebtedness from reacquisition of debt instrument (ORS 316.739)

For tax years 2009 and 2010 Oregon was not tied to the deferral and required an addition on your Oregon return. As of 2011, Oregon is tied to this federal law and no addition is required.

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 12, 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 on May 1, 2018, 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	– 50,000		
Gain			\$1,050,000
Federal valuation:			
Selling price	\$ 1,100,000		
Less: Fair market value on March 1, 1986	– 180,000		
Gain			– 920,000
Difference in total gain			
Addition amount			\$ 130,000

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% 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. See "Oregon itemized deductions" in "Other items" to learn how to report the addition as a negative modification on Schedule OR-ASC-NP.

Federal business income deduction (Or Laws 2018, ch 108, § 10)

Oregon is disconnected from the federal deduction for qualified business income in new IRC Section 199A. This deduction doesn't flow through to the Oregon return. No addition is required.

See "Qualified business income reduced tax rate" in "Other items" 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 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 political subdivision of another state that you didn't include on your federal return.

Full-year residents. Oregon taxes the smaller of line 13 or 14 from federal 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:

$$\frac{\text{IRD not taxable by Oregon}}{\text{IRD included in federal taxable income}} \times \text{Federal estate tax deducted on the federal return} = \text{Oregon addition}$$

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 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 2016 Oregon return. This year, she amended her 2016 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 2016 Oregon return than her corrected federal tax liability. Rosa will have an addition of \$500 on her 2018 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 on your amended return is your corrected federal tax liability.

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 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 this worksheet to figure your tax benefit.

1. Fill in your original federal tax liability from the prior year (2017 limit \$6,550, 2016 limit \$6,500, 2015 limit \$6,450). 1. _____
2. Fill in your corrected federal tax liability from the prior year (2017 limit \$6,550, 2016 limit \$6,500, 2015 limit \$6,450). 2. _____
3. Line 1 minus line 2. This is the tax benefit you received from your refund. 3. _____

Example 4: Jill's 2016 federal tax liability was \$7,000. Her subtraction was limited to \$6,500, which she subtracted on her Oregon return. Jill amended her 2016 federal return and received a refund of \$4,000 in 2018. The addition on Jill's 2018 return will be \$3,500, figured as follows:

1. Federal tax subtracted on Jill's 2016 Oregon return (limit \$6,500).	\$ 6,500
2. Less: Corrected federal tax (\$7,000 – \$4,000) (limit \$6,500).	<u>-3,000</u>
3. Tax benefit received and Jill's Oregon addition.	<u>\$ 3,500</u>

Example 5: Ella's 2016 original federal tax liability was \$8,200. She amended her 2016 federal return and part-year Oregon return in January 2018. Ella doesn't change the federal tax amount on her amended Oregon return. She received a \$1,000 federal refund in 2018. Her 2016 corrected federal tax is \$7,200. Ella figures her tax benefit as follows:

1. Original 2016 federal tax liability (limit \$6,500).	\$ 6,500
2. Less: Corrected federal tax liability (\$8,200 - \$1,000) (limit \$6,500).	<u>-6,500</u>
3. Tax benefit received and Ella's Oregon addition.	<u>\$ -0-</u>

Ella didn't receive a tax benefit from the federal refund, so she doesn't have an addition to report on her 2018 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 2016. His original federal tax was \$8,600. His Oregon percentage was 40 percent. In March 2018, he amended his 2016 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 2018. His revised Oregon percentage for 2016 was 50 percent. He received a \$550 tax benefit from the refund. He figures his tax benefit as follows:

1. Original federal tax liability (limit \$6,500)	\$ 6,500
× original Oregon percentage.	<u>× 0.40</u>
	\$ 2,600
2. Less: Corrected federal tax (\$8,600 - \$4,500) (limit \$6,500)	\$ 4,100
× revised Oregon percentage.	<u>× 0.50</u>
	<u>- 2,050</u>
3. Tax benefit received and Brokston's Oregon addition.	<u>\$ 550</u>

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 in the federal column of Schedule OR-ASC-NP. In the Oregon column, enter any amount received while an Oregon resident and the amount attributable to Oregon-source income while a nonresident.

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 "Lottery winnings" under "Subtractions" for more information.

Example: 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	<u>(500)</u>
Net gambling winnings taxable by Oregon	<u>\$ 80</u>

Gambling losses claimed on Schedule OR-A	\$ 300
Net gambling winnings included in Oregon income	-80
Reduction in gambling losses—Oregon addition	<u>\$ 220</u>

Part-year residents and nonresidents. See “Oregon itemized deductions” in “Other items” to learn how to report your addition as a negative modification on Schedule OR-ASC-NP.

Income taxes paid to another state by an individual (ORS 316.082)

[Addition code 148]

Did you claim a credit for income taxes paid to another state and claim those same taxes as an itemized deduction? If so, you may have an Oregon addition. **Note:** If the taxes were paid by a pass-through entity that you own, and the entity is deducting the tax on its own return, see the next section.

You can't take a deduction and a credit for the same item on your return. If you are claiming a credit for taxes paid to another state on your Oregon return, you must reduce your itemized deductions by the smaller of:

- The other state's tax amount for the year you claim the Oregon credit, or
- The other state's tax amount for the year you included it as an itemized deduction.

This reduces your itemized deduction for the other state's income tax.

Include this amount on Schedule OR-ASC, section 1 or Schedule OR-ASC-NP, section 2, using addition code 148. If you pay tax to more than one state, compute your addition state by state. Also compute it year by year.

Is the amount of tax you are deducting less than what you owe the other state? If so, you will have an addition on next year's Oregon return for the tax that was paid and deducted on your federal return.

Example 1: Inga claimed a \$100 credit for taxes paid to Maine on her Oregon return. She claimed a deduction of \$200 on Schedule OR-A for Maine taxes withheld from her wages. On Inga's Maine return, her net tax liability is \$150. This is the smaller of her Maine tax liability (\$150) or the amount she claimed as an itemized deduction (\$200) for Maine taxes. She will reduce her itemized deductions by \$150 by including that amount as an addition on Schedule OR-ASC.

Example 2: Peggy lives in Oregon. She owes \$300 to Iowa for 2018. Her credit for tax paid to Iowa is \$200, which she computed using Formula I. Peggy had

\$125 withheld from her pay for Iowa tax in 2018. She pays the other \$175 in April 2019 when she files her 2018 Iowa return. On her 2018 Schedule OR-A, Peggy deducts the \$125 in Iowa withholding and \$500 for tax she paid to California. Peggy reduces her itemized deductions by the smaller of \$300, her Iowa liability for the year she claimed the credit, or \$125, the amount she is claiming as an itemized deduction. She reports an addition of \$125 on Schedule OR-ASC. No changes are needed for the California tax on her Oregon return, because a credit for taxes paid must be claimed on her California nonresident return.

If Peggy itemizes again on her 2019 return, she may deduct \$175, the additional Iowa tax paid in April 2019, on her federal tax return. Peggy must add back \$175 on her 2019 Oregon return. This is the smaller of \$300, her Iowa tax liability for 2018 (the year she claimed the credit), or \$175, the amount she is claiming as an itemized deduction on her 2019 return (the year she paid the tax).

Income taxes paid to another state by a pass-through entity (ORS 316.082)

[Addition code 148]

If you claim a credit for income taxes paid to another state by a pass-through entity of which you're an owner, and the PTE is deducting the tax on its own return, you'll have an addition on your return for the tax payment.

Example: 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 2018 tax for her in 2018, and \$10,000 of 2018 tax in January 2019. The corporation paid \$2,000 of tax for her with its 2018 tax return filed in 2019.

Susan calculates her credit for 2018 using \$42,000: \$30,000 in payments made in 2018, and the \$12,000 in 2018 tax paid in 2019. She claims the credit on her 2018 return, and 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 2019 return.

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 or as a negative modification on Schedule OR-ASC-NP.

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.

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 as a deduction 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.

Full-year residents. In section 1 of Schedule OR-ASC, enter the amount you are adding back for a **nonqualified withdrawal** using addition code 137, or enter the amount of your **donation** using addition code 138. Use addition code 159 to report a **rollover** from your IDA to a retirement savings account.

Part-year residents and nonresidents. Report any **nonqualified withdrawal** as an addition using code 137, and any federal subtraction taken for a **rollover** from your IDA to a retirement savings account, using addition code 159 in section 2 of Schedule OR-ASC-NP.

See “Oregon itemized deductions” in “Other items” to learn how to report the **donation credit** add back as a negative modification on Schedule OR-ASC-NP.

Interest and dividends on government bonds of other states [ORS 316.680 (2)(b)]

[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.

Expenses

See the instructions for Schedule OR-A for information about deducting investment expenses to purchase federally exempt bonds or notes.

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.

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 distributions (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. See the examples below.

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 carryforwards (OAR 150-316-0006)

[Addition code 161]

Capital losses and losses carried forward 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 forward 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 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 529 college savings plan nonqualified withdrawal [ORS 316.680(2)(j)]

[Addition code 117]

Did you withdraw funds from an Oregon 529 College Savings Network account for nonqualified purposes? 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 ["Subtractions."](#)

Oregon Production Investment Fund (auction) (ORS 315.514)

[Addition code 144] [Modification code 644]

If you claimed a deduction on Schedule OR-A for the amount you 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 tax credit](#), see [this topic](#) under ["Carryforward credits."](#)

Part-year residents and nonresidents. See ["Oregon itemized deductions"](#) in ["Other items"](#) to learn how to report your addition as a negative modification on Schedule OR-ASC-NP.

Renewable Energy Development contributions (auction) (ORS 315.326)

[Addition code 145] [Modification code 645]

If you claimed a deduction on Schedule OR-A for the amount you paid for your Oregon Renewable Energy Development tax credit, and you are claiming the credit on your return, you will have an Oregon addition for the amount of your deduction.

Example: Christina bid on \$5,000 worth of Oregon Renewable Energy Development credits during this year's auction. She won all the credits she bid on and paid \$4,750 for them. On her Oregon return Christina will claim an Oregon Renewable Energy Development credit of \$5,000. If she claims the \$4,750 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 addition and the credit on Schedule OR-ASC.

For more information on the **Renewable Energy Development tax credit**, see this topic under "Carry-forward credits."

Part-year residents and nonresidents. See "Oregon itemized deductions" in "Other items" to learn how to report the addition as a negative modification on Schedule OR-ASC-NP.

University Venture Development Fund contributions (ORS 315.521)

[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 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.

For more information on the **University Venture Development Fund tax credit**, see this topic under "Carryforward credits."

Part-year residents and nonresidents. See "Oregon itemized deductions" in "Other items" to learn how

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 this worksheet to figure the Oregon addition:

WFHDC medical expense worksheet

1. Enter the amount from line 15(c) from Schedule OR-WFHDC or OR-WFHDC-NP. 1. \$ _____
2. Enter the medical expenses included in line 1 that are **also** included in the amount on Schedule OR-A, line 1. 2. \$ _____
3. Line 1 minus line 2. 3. \$ _____
4. Enter the amount from line 27 from Schedule OR-WFHDC or OR-WFHDC-NP
• If line 3 is more than line 4, STOP. You don't have an addition.
• If line 3 is less than line 4, continue to line 5. 4. \$ _____
5. Line 4 minus line 3. 5. \$ _____

6. Enter the total amount from Schedule OR-A, line 1. 6. \$ _____
7. Enter the total amount from Schedule OR-A, line 4. 7. \$ _____
8. Divide line 7 by line 6 and round to three decimal places. 8. _____
9. Line 8 times line 2. 9. \$ _____
10. Enter the smaller of line 5 or line 9. 10. \$ _____
11. Enter the Oregon standard deduction for your filing status (see "Other items"). Include any additional standard deductions you would be allowed to claim if you weren't using itemized deductions instead. 11. \$ _____
12. Enter your Oregon itemized deductions (Form OR-40, line 16; Form OR-40-P or OR-40-N, line 37). 12. \$ _____
13. Line 12 minus line 11. 13. \$ _____
14. Enter the lesser of line 10 or line 13. This is your addition. 14. \$ _____

Full-year residents. Report any required add back amount on Schedule OR-ASC.

Part-year residents and nonresidents. See "Oregon itemized deductions" in "Other items" to learn how 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 the instructions for Schedule OR-WFHDC or OR-WFHDC-NP.

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.

Note: The items listed below are related to itemized deductions. These items may reduce your subtractions on Schedule OR-ASC or modifications on Schedule OR-ASC-NP.

- Expenses related to U.S. bonds and notes.
- Expenses related to local government bonds.
- Federal mortgage interest credit.

If there is no numeric code provided for a subtraction (or modification), the amount is reported directly on your return.

ABLE Account deposit (ORS 316.699)

[Subtraction code 360]

You can subtract contributions you made to an Oregon or contracting state's Achieving a Better Life Experience (ABLE) account of up to \$4,750 if you file a joint return (\$2,375 for all others). These state-sponsored accounts, established through the Oregon 529 College Savings Network, allow persons with disabilities 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. To qualify for the Oregon subtraction, contributions must be made before the designated beneficiary turns 21 years old.

Funds withdrawn to pay qualified expenses related to the beneficiary's disability won't be taxed. Qualified withdrawals include expenses for education, housing, transportation, assistive technology, personal support services, employment training and support, and fees for legal and financial services, among others. Once you open an account and select an investment option, the Oregon 529 College Savings Network board and the private investment company manage your investment.

You can subtract your contribution if you made it before the date you file your tax return or before the due date of your return, without extensions, **whichever is earlier**. For examples regarding contribution timing, see "Oregon 529 college savings plan deposits." **Note: The combined total of your ABLE account and Oregon 529 Plan subtractions can't be more than the annual amount shown above.**

Addition. You may need to add back funds withdrawn for a nonqualified purpose on your Oregon return. See [this topic](#) under "Additions" for more information.

Rollovers. If you have an ABLE account in a non-contracting state and you roll it over into an Oregon or contracting state's ABLE account, the rollover qualifies as a new contribution for purposes of the subtraction. However, you can't subtract any amount rolled over from an IDA.

Carryforward. If you make a contribution of more than the maximum allowable subtraction in one year, you may carry forward the amount not subtracted over the next four years.

For more information about the ABLE Act, visit the ABLE National Resource Center's website at www.ablenrc.org.

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 United States 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. But the areas where you live and have income from must both be Indian country to qualify for the subtraction.

To claim the subtraction, you must report your total income on both the federal and Oregon tax returns.

You must file a completed copy of Schedule OR-EIS with your Oregon return. 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, and
- 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, complete an additional withholding certificate. Use Form OR-W-4 and follow the instructions to declare that you're exempt using the appropriate code. File the form with your employer.

Income earned in Oregon, 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, contact us.

Artist's charitable contribution (ORS 316.838)

[Subtraction code 301] [Modification code 600]

Oregon allows a subtraction to artists who contribute their own works of art to a recognized charitable organization or governmental unit.

What qualifies as a "work of art?"

The art object must qualify for the deduction allowed by IRC Section 170. It must be a painting, sculpture, photograph, graphic or craft art, industrial design, costume or fashion design, tape or sound recording, or film.

The charitable organization isn't required to use the art 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.

You will need the appraisal report showing the fair market value of the art at the time of the contribution. You must send a copy of the appraisal report with your return.

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 4 of Schedule OR-ASC-NP using modification code 600. **Nonresidents:** Enter your subtraction amount on the "Charitable art donation" line on Form OR-40-N.

Capital Construction Fund (ORS 316.048)

[Subtraction code 339]

If you subtracted your contributions to your qualifying capital construction fund on your federal return, you may also subtract that amount on your Oregon return. See federal Publication 595: *Capital Construction Fund for Commercial Fishermen*, 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 in the federal column of Schedule OR-ASC-NP, section 3. The amount allowed in the Oregon column 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 in the federal column and \$10,000 in the Oregon column. Greg's CCF subtraction in the federal column is the full \$15,000. Since 25 percent of his eligible income was Oregon source, he is allowed a CCF subtraction of \$3,750 ($\$15,000 \times 25\%$) in the Oregon column.

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 only 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. You can't use a standard mileage rate to figure expenses.

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	<u>26,327</u>
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.

Note for part-year residents and nonresidents. You can claim only expenses related to income that you included in the Oregon column of your Oregon return.

Conversions and exchanged property [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.

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.

Discharge of indebtedness from reacquisition of debt instrument (ORS 316.739)

[Subtraction code 350]

Did you use addition code 128 to report a discharge of indebtedness from reacquisition of a debt instrument on your 2009 or 2010 Oregon return? Are you claiming the deferred income on your federal return? If you answered yes to both of these questions, you may claim a subtraction for the amount of deferred income you have included on your federal return. Generally, on your federal return you were allowed to defer the income until 2014 and then must claim it over a 5-year period. Claim the subtraction on Schedule OR-ASC or OR-ASC-NP in the year(s) you claim the deferred income on your federal return.

Federal income tax liability (ORS 316.680, 316.685, 316.695)

Current year's federal tax liability. Oregon allows a subtraction for your current year's federal income tax liability after credits. The subtraction for 2018 is limited to \$6,650 (\$3,325 if your filing status is married filing separately).

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.

You can deduct your federal income tax liability after credits, up to \$6,650 (\$3,325 if your filing status is married filing separately) based on your income and filing status. Don't fill in less than -0- or more than \$6,650. Use the federal tax worksheet, in the next section, to figure your federal income tax liability.

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 the **federal Tax Worksheet, Part B**, 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, follow these rules when filing an amended Oregon return for that year:

1. Additional federal tax paid or determined: If you are filing an amended Oregon return to report changes made to your federal return, don't increase the federal tax subtraction. Report the additional federal tax in the year the tax was paid or determined, whichever is later.

Exception. Any amended Oregon return filed before the due date (excluding extensions) for that tax year should show the corrected federal tax liability. This is true even if you haven't yet paid the additional tax.

2. Refund of federal tax: Don't change the federal tax subtraction on your amended Oregon return. Report your federal refund as an addition in the year you receive the refund if you received a tax benefit. For information about tax benefit, see "Federal income tax refunds" in "Additions."

Exception. If you file an amended return before the due date (excluding extensions) for the tax year involved, report the corrected federal tax liability. Don't report the refund in the year you receive it.

Federal tax worksheet

Part A: Federal tax subtraction

1. Enter your federal tax liability from Form 1040, line 13; Form 1040NR, line 53; or Form 1040NREZ, line 13. 1. _____
2. Enter your excess advance premium tax credit from Form 1040, Schedule 2, line 46; or Form 1040NR, line 44. 2. _____
3. Line 1 minus line 2. (If less than -0-, enter -0-.) 3. _____

4. Enter your additional tax on retirement plans from Form 1040, Schedule 4, line 59; or Form 1040NR, line 57; your first-time homebuyer credit recapture; *any recapture taxes you included as "other taxes" on Form 1040, Schedule 4, line 62, or Form 1040NR, line 60; and the amount on Form 1040NR, line 54. 4. _____
5. Add lines 3 and 4. 5. _____
6. Enter your American Opportunity credit from Form 1040, line 17c. 6. _____
7. Enter your total premium tax credit from Form 8962, line 24. 7. _____
8. Add lines 6 and 7. 8. _____
9. Line 5 minus line 8. (If less than -0-, enter -0-). 9. _____
10. Enter your maximum allowable tax liability subtraction from the table. Don't fill in less than -0- or more than \$6,650 (\$3,325 if your filing status is married filing separately). 10. _____
11. Enter the smaller of line 9 or line 10 here and on Form OR-40, line 10; or Form OR-40-N or OR-40-P, line 40. 11. _____

**Did you file federal form 5405? If you are required to repay your 2008, 2009, or 2010 first-time homebuyer credit because you disposed of your home or stopped using it as your main home, you may subtract your federal tax recapture. Add the amount reported on your federal form 1040, Schedule 4, line 60b, or federal form 1040NR, line 59b, to the amount included on line 2 of the worksheet above. Don't add this amount if you are repaying your 2008 credit and still live in your qualifying home as your main residence.*

Part B: Federal tax paid in a prior year [Subtraction code 309] [Modification code 602]

1. Enter maximum amount from table (Part A, line 10). 1. _____
2. Enter federal tax liability subtraction (Part A, line 11). 2. _____
3. Line 1 minus line 2. If the result is -0-, you can't deduct your federal tax from a prior year. If greater than -0-, enter the amount on line 3. 3. _____
4. Enter the amount of federal tax you paid in 2018 for a prior year. 4. _____

5. Enter the smaller of line 3 or line 4 here and on Schedule OR-ASC, section 2 (subtraction code 309) or Schedule OR-ASC-NP, section 4 (modification code 602). 5. _____

Part C: Foreign tax subtraction
[Subtraction code 311] [Modification code 603]

If your total federal tax subtraction (Part A, line 11 plus Part B, line 5) is \$6,650 (\$3,325 if your filing status is married filing separately) or more, **Stop**—you can't subtract your foreign tax (ORS 316.690). If your total federal tax subtraction is less than \$6,650 (\$3,325 if your filing status is married filing separately), continue to Step 1.

1. Enter \$6,650 (\$3,325 if your filing status is married filing separately). 1. _____
2. Enter your total federal tax liability subtraction (Part A, line 11 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 2 (subtraction code 311) or Schedule OR-ASC-NP section 4 (modification code 603). 5. _____

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	\$6,650
	\$125,000	\$130,000	\$5,300
	\$130,000	\$135,000	\$4,000
	\$135,000	\$140,000	\$2,650
	\$140,000	\$145,000	\$1,300
	\$145,000 or more		-0-
Married filing separately	-0-	\$125,000	\$3,325
	\$125,000	\$130,000	\$2,650
	\$130,000	\$135,000	\$2,000
	\$135,000	\$140,000	\$1,325
	\$140,000	\$145,000	\$650
	\$145,000 or more		-0-

Married filing jointly	-0-	\$250,000	\$6,650
	\$250,000	\$260,000	\$5,300
or	\$260,000	\$270,000	\$4,000
Head of household	\$270,000	\$280,000	\$2,650
	\$280,000	\$290,000	\$1,300
or	\$290,000 or more		-0-
Qualifying widow(er)			

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 in both the federal and Oregon columns 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 the Oregon column of 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."**

- | | |
|---|-----------------------------|
| 1. Federal pension income included in federal AGI. | 1. \$ _____ |
| 2. a. Months of service or points earned from _____ (fill in federal service start date) to October 1, 1991. | a. ____ months*/
points |
| b. Months of service or points earned from _____ (fill in federal service start date) to _____ (fill in 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 to three places and enter it here.

- | | |
|---|-------------|
| 3. Multiply line 1 by the decimal on line 2 . This is your federal pension subtraction. | 2. _____ |
| | 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. In 2018, 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. **Use this worksheet to determine your federal pension income subtraction amount:**

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 in 2018. This worksheet shows how she will determine her federal pension subtraction.

- | | |
|--|--|
| 1. Federal pension income included in federal AGI. | 1. <u> \$25,000 </u> |
| 2. a. Points earned before October 1, 1991. | a. <u>1,917 points</u> |
| b. Total points earned. | b. <u>3,510 points</u> |

Divide the number of points on **line a** by the total number of points on **line b**. Round the decimal to three places. This is Robin's federal pension subtraction percentage.

- | | |
|--|--|
| 3. Multiply line 1 by the decimal on line 2 . This is Robin's federal pension subtraction. | 2. <u> 0.546 </u> |
| | 3. <u> \$13,650 </u> |

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 new 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 or itemized deduction 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. If you had to itemize your deductions to claim these expenses for federal purposes, then you must itemize for Oregon as well. See the instructions for Schedule OR-A if your federal credit required you to reduce an itemized deduction.

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 an itemized deduction 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 in the Oregon column of 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 in the federal column of 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.

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 \$6,650 (\$3,325 if your filing status is married filing separately) for 2018. 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).

If you claimed foreign taxes as an itemized deduction on your federal return, you may claim them in full on Schedule OR-A. The amount shown on your Schedule OR-A isn't subject to the \$6,650 (\$3,325 if your filing status is married filing separately) limit. 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.

Your foreign tax subtraction is the smallest of:

- Your 2018 foreign tax; or
- The maximum 2018 federal tax subtraction of \$6,650 (\$3,325 if your filing status is married filing separately) reduced by the sum of the 2018 federal tax you are claiming plus any prior year federal tax paid in 2018; or
- \$3,000 (\$1,500 if your filing status is married filing separately).

Use **part C** of the "Federal tax worksheet" under "Subtractions" to figure your foreign tax subtraction.

Income on a composite return (OAR 150-314-0515)

[Form OR-40-N/OR-40-P only: Subtraction code 341]

If you are an electing owner of a pass-through entity (PTE), you may need to file a personal income tax return in addition to the Oregon composite return, Form OR-OC, that is filed on your behalf by the PTE. This is necessary when you have other Oregon-source income to report.

File Form OR-40-N if you have income not already reported on a Form OR-OC. Follow the instructions in our booklet for Form OR-40-N. Enter all income (including income reported on the Form OR-OC) in

the federal column, line 17F, of your Form OR-40-N. Enter all Oregon-source income (including Oregon-source income reported on Form OR-OC) in the Oregon column, line 17S, of your Form OR-40-N. Because the income reported on Form OR-OC has already been taxed, you will subtract that amount in the federal and Oregon columns on Schedule OR-ASC-NP, section 3.

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 Form OR-OC.

For more information, see the Form OR-OC instructions or contact us.

Individual development account (IDA) (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 visit their website at: www.neighborhoodpartnerships.org.

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 pools of assets managed by a fiduciary. These include, but aren't limited to, banks, savings associations, or credit unions. To qualify, the regulated investment company or pool of assets 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.
Yes	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.*

Related expenses

If you're deducting expenses connected with U.S. bonds and notes on Schedule OR-A, you must reduce your subtraction by the amount you're deducting. The expenses include interest on money borrowed to buy the bonds and notes. They also include expenses incurred in the production of income from the bonds and notes.

Land donations to educational institutions carryforward (ORS 316.852)

[Subtraction code 316]

This provision expired December 31, 2007. However, if you had a qualifying donation or sale prior to that date, you may still have contribution amounts to carryforward.

The subtraction allowed in any tax year is limited to a specific percentage of your contribution base. Your contribution base is federal AGI computed without any NOL carryback.

If you **donated** land to a qualified entity, your Oregon subtraction can't be more than 50 percent of your contribution base.

If you **sold** land to a qualified entity for less than its fair market value, the Oregon subtraction can't be more than 25 percent of the contribution base.

Example 1: In tax year 2007, Marykate has a contribution base of \$100,000. She sells land with a fair market value of \$500,000 to a local school district for \$200,000 cash. Marykate's contribution of \$300,000 is limited to 25 percent of her contribution base. In 2007 Marykate can claim an Oregon subtraction of \$25,000 ($\$100,000 \times 0.25$).

Carryforward. You can carry forward for a maximum of 15 years any contribution you don't subtract because it's more than the specified percentage of the contribution base. Any contributions not subtracted by 2022 will be lost.

Example 2: Using the same facts as in Example 1, Marykate can carry forward her remaining \$275,000 contribution to the next tax year. Her subtraction will be limited by her contribution base for 2008 and each year thereafter.

Legislative Assembly salary and expenses (ORS 171.072)

[Subtraction code 335]

Oregon law exempts legislators' compensation for the performance of official duties (legislative salary and expense allowance) from Oregon income tax. This subtraction is available only to members of the Oregon Legislative Assembly who served during the tax year.

Local government bond interest (ORS 286A.140)

[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.

Reduce your subtraction by the amount of any interest on debt incurred to carry the obligations or securities or any expenses incurred in the production of this income that you're deducting on Schedule OR-A.

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.

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 withholding, complete an additional withholding certificate. Use Form OR-W-4 and file the form with your employer.

Did you claim gambling losses as an itemized deduction? If so, see the instructions for Schedule OR-A for more information about this deduction. If you are an American Indian, see the “American Indian” subtraction.

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 winning 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.

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.

Manufactured dwelling park 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 or the Oregon Liquor Control Commission (OLCC) under ORS Chapter 475B? 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 2

or Schedule OR-ASC-NP, section 3. 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 an OLCC license.

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.

Oregon 529 college savings plan deposit (ORS 316.699)

[Subtraction code 324]

You can subtract contributions you made to an Oregon 529 College Savings Network account during the tax year of up to \$4,750 if you file a joint return (\$2,375 for all others). These state-sponsored plans qualify for special tax status as qualified tuition programs (IRC Section 529).

Account holders can save money for college for any designated beneficiary. Once you open an account and select an investment option, the Oregon 529 College Savings Network board and the private investment company manage your investment. **If you use funds from an Oregon 529 account, including earnings, to pay K-12 tuition, you will have an addition for the non-qualified withdrawal.**

You can subtract your contribution if you made it before the date you file your tax return or before the due date of your return, without extensions, **whichever is earlier.**

Note: The combined total of your ABLE account and Oregon 529 plan subtractions can't be more than the annual amount shown above.

Rollovers. If you have a 529 college savings plan in another state and you roll it into an Oregon 529 College Savings Network account, the rollover qualifies as a new contribution for purposes of the subtraction. However, you can't subtract any amount rolled over from an IDA, or any amounts previously allowed as an Oregon subtraction.

Example 1: Bella would like to contribute to her niece's Oregon 529 college savings plan. She plans to request an extension to file her 2018 return. For Bella to qualify for the \$2,375 subtraction, she must make a contribution of at least that amount no later than the due date of her return, without extensions. Bella must make her contribution by April 15, 2019.

Example 2: Rodrigo made a contribution of \$1,800 to his son's Oregon 529 college savings plan on March 12, 2019. He filed his 2018 tax return on March 5, 2019. Because he made his contribution after he filed his 2018 return, he can't claim the \$1,800 subtraction on that return. He can claim the subtraction on his 2019 return.

Carryforward. If you make a contribution of more than the maximum allowable subtraction in one year, you may carry forward the amount not subtracted over the next four years.

Example 3: Korey and Keri contributed \$15,000 in 2018 to an Oregon 529 college savings plan for their son. They may subtract a maximum of \$4,750 on their 2018 return. They can carry forward the remaining \$10,250 balance of their contribution for up to four years.

Funds withdrawn to pay qualified expenses won't be taxed. Qualified withdrawals include expenses for tuition, fees, books, supplies, equipment, and room and board at an eligible educational institution anywhere in the United States and foreign countries. A list of the United States and foreign schools that qualify is on the U.S. Department of Education website at www.fafsa.ed.gov.

You may need to add back funds withdrawn for a nonqualified purpose to the Oregon return as an addition to your taxable income. **A nonqualified purpose includes using the funds and earnings to pay K-12 tuition.** See "Oregon 529 college savings plan nonqualified withdrawal" under "Additions."

For more information about Oregon 529 plans, go to www.oregoncollegesavings.com or call 1-866-772-8464.

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.

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 an 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.oregon4biz.com.

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.oregon4biz.com.

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).

Previously taxed employee retirement plans (ORS 316.159)

[Subtraction code 327]

Oregon allows residents to subtract payments from an IRA, Keogh plan, SEP plan, and certain government plans if another state has already taxed contributions or a portion of the contributions to the plan.

The payments must be included in federal AGI. All of the following conditions must be met for the contributions to qualify:

- Contributions were made while a nonresident of Oregon.
- No previous state income tax deduction, exclusion, or exemption was allowed or allowable at the time contributions were made.
- No previous state income tax deduction, exclusion, credit, subtraction, or other tax benefit has been allowed for the contributions.
- Contributions have been taxed by another state.

The subtraction continues until all qualifying contributions are recovered.

A statement from the payer showing your total contributions and the start date of your benefits will help you figure your subtraction. Keep this statement with your tax records.

Example 1: Judith lived in California. From 1980 to 1996 she contributed to an IRA. In 1980 and 1981 she contributed \$1,500 each year. From 1982 through 1996 she contributed \$2,000 each year.

Both federal and California allowed a maximum deduction of \$1,500 for 1980 and 1981. For 1982 through 1986, federal allowed a maximum of \$2,000, and California allowed a maximum of \$1,500. Both federal and California allowed a maximum of \$2,000 for 1987 through 1996.

Judith contributed \$2,500 ($\500×5 years) from 1982 through 1986 that she was not allowed to deduct on her California returns.

Judith retired and moved to Oregon in November of last year. She receives payments of \$1,000 a month from the California IRA. These payments are subject to Oregon tax because she is now an Oregon resident. However, Oregon will allow Judith to subtract the contributions that California has already taxed (\$2,500).

Judith received two payments of \$1,000 last year for a total of \$2,000. She can subtract the entire \$2,000 on last year's Oregon return. This year, she'll be able to subtract the balance of \$500 ($\$2,500 - 2,000$) as long as she receives at least that much from her California IRA. From that point on, no subtraction on the Oregon return for recovery of contributions is allowed.

Example 2: Use the same facts as in Example 1, except Judith lived and worked in Washington before moving to Oregon. When she made contributions, she was allowed a federal deduction each year. However, she didn't get a state tax deduction, because Washington doesn't have an income tax. After retiring and moving to Oregon, Judith receives the same payments as above. She doesn't qualify for the Oregon subtraction

because her contributions weren't taxed by another state.

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.

Public Safety Memorial Fund Awards [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 2 or Schedule OR-ASC-NP, section 3.

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 a 1099 form, except for sickness benefits, which are reported on Form W-2. All 1099s, 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 may not take a subtraction for expenses that are deducted on your federal income tax return for the year. 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]

If you or your spouse are age 65 or older on December 31, 2018 and have qualifying medical and/or dental expenses, you may qualify for the special Oregon medical subtraction. See federal Publication 502 for types of qualifying medical and dental expenses. Medical or dental expenses **can't** be subtracted:

- For anyone under age 65 or dependents regardless of age;
- If they've been deducted elsewhere on the return.
- If your federal AGI exceeds \$200,000 (\$100,000 if your filing status is single or married filing separately).

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, divide the premiums for a policy covering two adults and four children by three.

Example 1: Chloe and Sam were ages 67 and 62 on December 31, 2018. They filed a joint return with one dependent (Sam's mother), federal AGI of \$55,000, and itemized deductions for Oregon. During 2017 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 is 65 years old, self-employed, and itemizes his deductions for Oregon. Peter claimed \$3,200 in medical expenses on Schedule OR-A and \$2,500 on his federal Schedule 1 for self-employed medical insurance premiums. Peter was able to deduct 100% of his self-employed medical insurance premiums on his federal return. Only the 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. To calculate his subtraction, Peter's total qualifying medical and dental expenses are \$3,200, the amount claimed on Schedule OR-A. The worksheet will help him calculate the amount of his subtraction.

Special Oregon medical subtraction worksheet instructions

Line 1—Medical and dental expenses for each taxpayer: Enter the expenses attributable to each taxpayer. See **"Shared expenses"** for information about splitting expenses, such as insurance premiums.

Line 1, column (A): If you were age 65 or older on December 31, 2018, enter **your** total qualifying medical and dental expenses. If your medical expenses weren't included in your itemized deductions (Schedule OR-A, line 1), or you didn't itemize your deductions, skip lines 2–4, enter the amount from line 1 on line 5, and go to line 6. If you don't have qualifying expenses or weren't age 65 or older on December 31—**Stop**—don't complete column (A). You don't qualify for the subtraction.

Line 1, column (B): If your spouse was age 65 or older on December 31, 2018, and you're filing jointly, enter your **spouse's** total qualifying medical and dental expenses. If your spouse's medical expenses weren't included in your itemized deductions (Schedule OR-A, line 1), or you didn't itemize your deductions, skip lines 2–4, enter the amount from line 1 on line 5, and go to line 6. If your spouse doesn't have qualifying expenses or wasn't age 65 or older on December 31, 2018—**Stop**—don't complete column (B). Your spouse doesn't qualify for the subtraction.

Line 2, columns (A) and (B)—Total medical and dental expenses: Enter the total medical and dental expenses you claimed as an itemized deduction (Schedule OR-A, line 1), even if they are for a spouse or dependent that doesn't qualify. If your spouse meets the age requirement and has qualifying expenses, enter the same amount on line 2, column (B).

Line 3, columns (A) and (B): Divide line 1 by line 2 for column (A) if you qualify, and/or column (B) if your spouse qualifies, and round to three decimal places. For example: 0.7308 is rounded to 0.731

Line 4, columns (A) and (B): Enter the lesser of the medical and dental expenses claimed on line 1 of your Schedule OR-A or the amount claimed on line 3 of your Schedule OR-A. If your spouse qualifies, enter the same amount in column (B).

Line 5, columns (A) and (B): Multiply line 3 and line 4 for each column and round to whole dollars. For example: \$101.49 is rounded to \$101. If you didn't itemize your deductions, enter the amount from line 1 of this worksheet.

Line 6, columns (A) and (B): Enter the maximum allowable medical subtraction for your filing status and federal AGI shown in the table following the worksheet. Don't enter more than \$1,800. If your spouse qualifies, enter the same amount in column (B).

Line 7, columns (A) and (B): Enter the lesser of line 5 or line 6 for each column.

Line 8: Add the amounts from line 7, columns (A) and (B).

Full-year residents. This is your special Oregon medical subtraction. Enter this amount on Schedule OR-ASC, section 2.

Part-year residents and nonresidents. Enter the full amount from Line 8 in both the federal and Oregon columns of Schedule OR-ASC-NP, section 3.

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 (Schedule OR-A, line 1).	2. \$ _____	\$ _____
3. Divide line 1 by line 2 and round to three decimal places.	3. _____	_____
4. Enter the lesser of the expenses claimed on line 1 of your Schedule OR-A, or the amount claimed on line 3 of your Schedule OR-A.	4. \$ _____	\$ _____
5. Multiply line 3 by line 4 and round to whole dollars.	5. \$ _____	\$ _____
6. Maximum allowable medical subtraction from the table (\$1,800 max).	6. \$ _____	\$ _____

7. Enter the lesser of line 7 or line 6. 7. \$ _____ \$ _____
8. Add line 7, columns (A) and (B), and enter the total. This is your special Oregon medical subtraction. 8. \$ _____

3. Divide line 1 by line 2 and round to three decimal places. 3. 0.457 _____

4. Enter the lesser of the expenses claimed on line 1 of your Schedule OR-A, or the amount claimed on line 3 of your Schedule OR-A. 4. \$ 3,375 \$ _____

5. Multiply line 3 by line 4 and round to whole dollars. 5. \$ 1,542 \$ _____

6. Maximum allowable medical subtraction from the table (\$1,800 max). 6. \$ 1,800 \$ _____

7. Enter the lesser of line 5 or line 6. 7. \$ 1,542 \$ _____

8. Add line 7, columns (A) and (B), and enter the total. This is your special Oregon medical subtraction. 8. \$ 1,542

If your filing status is:	and your federal AGI from line 7 of Form OR-40 or line 29F of Form OR-40-N or OR-40-P is:		then your maximum allowable medical subtraction per taxpayer meeting the age requirement is:
	at least—	but less than—	
Married filing jointly, or Head of household, or Qualifying widow(er)	-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-

Example 3: Leah and Tyler are ages 67 and 61 on December 31, 2018. 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 since she met the age requirement as of December 31, 2018. 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 (Schedule OR-A, line 1).	2. \$ <u>4,700</u>	\$ _____

Leah and Tyler will claim \$1,542 on Schedule OR-ASC.

Example 4: Kenneth and Sophia were both age 66 on December 31, 2018 and 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 line 29 of their federal Schedule 1. They also claimed \$8,900 on line 1, and \$5,850 (\$78,000 x 7.5%) on line 3 of Schedule OR-A. Of the amount claimed on Schedule OR-A, \$1,200 was for Kenneth's expenses and \$7,700 was for Sophia's expenses. Kenneth and Sophia can claim \$2,190 as a special Oregon medical subtraction calculated 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 (Schedule OR-A, line 1).	2. \$ <u>8,900</u>	\$ <u>8,900</u>
3. Divide line 1 by line 2 and round to three decimal places.	3. <u>0.135</u>	<u>0.865</u>

4. Enter the lesser of the expenses claimed on line 1 of your Schedule OR-A, or the amount claimed on line 3 of your Schedule OR-A. 4. \$ 5,850 \$ 5,850
5. Multiply line 3 by line 4 and round to whole dollars. 5. \$ 790 \$ 5,060
6. Maximum allowable medical subtraction from the table (\$1,800 max). 6. \$ 1,400 \$ 1,400
7. Enter the lesser of line 5 or line 6. 7. \$ 790 \$ 1,400
8. Add line 7, columns (A) and (B), and enter the total. This is your special Oregon medical subtraction. 8. \$ 2,190

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 on December 31, 2018, 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)	Column (B)
	Margaret	Spouse
1. Medical and dental expenses for each qualifying taxpayer.	1. \$ <u>1,200</u>	\$ _____

2. Total medical and dental expenses (Schedule OR-A, line 1). 2. \$ _____ \$ _____
3. Divide line 1 by line 2 and round to three decimal places. 3. _____ _____
4. Enter the lesser of the expenses claimed on line 1 of your Schedule OR-A, or the amount claimed on line 3 of your Schedule OR-A. 4. \$ _____ \$ _____
5. Multiply line 3 by line 4 and round to whole dollars. 5. \$ 1,200 \$ _____
6. Maximum allowable medical subtraction from the table (\$1,800 max). 6. \$ 1,400 \$ _____
7. Enter the lesser of line 5 or line 6. 7. \$ 1,200 \$ _____
8. Add line 7, columns (A) and (B), and enter the total. This is your special Oregon medical subtraction. 8. \$ 1,200

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 in both the federal column and in the Oregon column of Schedule OR-ASC-NP, section 3.

**Taxable benefits for former RDPs
(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. These 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.

Example: Ruth and Jan entered into an RDP on February 1, 2012. They were then legally married on June 16, 2018. Ruth and Jan must file their 2018 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 1st through June 15th). Ruth may claim a subtraction for the value of the imputed benefits included in federal income, as reported on her W-2.

Tuition and fees [ORS 316.716(3)]

[Subtraction code 308]

As of December 20, 2019, the federal deduction of up to \$4,000 in higher education tuition and fees has been extended retroactively for tax years after 2017. Because Congress extended the deduction for 2018, the Oregon subtraction is also available.

You may qualify to claim either of the following on your federal return:

- A deduction of up to \$4,000 for qualified tuition and fees paid; or
- The American Opportunity credit or the Lifetime Learning credit.

If you claim a federal credit, you must reduce the deduction related to that student's expenses to \$-0-.

Deduction. If you qualify for and claim the federal deduction of up to \$4,000 for qualified tuition and fees, don't claim a subtraction on your Oregon return. Your federal deduction flows through to your Oregon return via your federal adjusted gross income.

Credit. Some, but not all, of the expenses that qualify for a federal credit may also qualify for the federal deduction. If you claimed a credit for education expenses, and those expenses would have qualified for the federal deduction, you may be able to claim an Oregon subtraction for the amount you could have claimed as a deduction. However, you can't claim the subtraction if:

- Your filing status is married filing separately;
- You can be claimed as a dependent by another person on their return, even if that person doesn't claim you; or
- Your federal modified adjusted gross income (MAGI) exceeds the limitations for the federal tuition and fees deduction as stated on federal Form 8917.

Example 1: Tom paid \$6,000 in tuition and fees for his son Adam's higher education this year. Tom elected to claim the American Opportunity credit of \$1,500 on his federal return. Tom would have been allowed \$4,000 as a deduction on his federal return if he hadn't elected to claim the American Opportunity credit. On his Oregon return, Tom claims a subtraction of \$4,000 for qualified tuition and fees.

Example 2: This year Dawn paid \$2,200 college tuition for her daughter Camille and \$2,400 college tuition for her daughter Delaney. On her federal return, Dawn deducted the maximum \$4,000 tuition and fees. Because Dawn claimed the deduction on her federal return, she can't claim the subtraction on her Oregon return.

Example 3: Mr. and Mrs. Wren paid a total of \$6,000 in qualified tuition expenses this year. They paid \$2,000 of college tuition for each of their sons, Nelson, Jose, and Chester. On the Wrens' federal return, they claimed a \$2,000 deduction for Nelson's tuition, a \$1,500 American Opportunity credit for Jose's tuition, and a \$1,500 American Opportunity credit for Chester's tuition. On their Oregon return, the maximum subtraction allowable is \$4,000, but they must reduce their allowable subtraction by any amount they already deducted on the federal return. The \$2,000 deduction for Nelson's tuition flows through to their Oregon return. They may subtract the remaining \$2,000 on their Oregon return, for a combined deduction of \$4,000.

Education credit recapture. If you are required to recapture a federal education credit on a later federal return, you may need to amend your Oregon return to reduce the subtraction you claimed in a prior year. See "Amended returns" for more information.

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 2018 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.

Use this worksheet to calculate your subtraction:

Worksheet

1. Total account balance at year end. 1. _____
2. Current year distributions. 2. _____
3. Line 1 plus line 2. 3. _____
4. Total exempt earnings on account at year end. 4. _____
5. Total exempt part of distributions from all prior years. 5. _____
6. Line 4 minus line 5, but not less than -0-. 6. _____
7. Line 6 divided by line 3. Oregon exempt ratio. 7. _____
8. Line 2 multiplied by line 7. Oregon exempt portion of current year’s distribution. 8. _____

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.	<u>\$3,636</u>	<u>\$ 3,939</u>

Other items

Net operating losses (NOLs) for Oregon (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 and Amortization" for additional information.

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- for tax years 2018 through 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 2018. 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 \$28,000, 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	(28,000)
Federal taxable income	(\$ 50,600)

Computation of Oregon NOL

Federal AGI	(\$ 22,600)
Personal exemptions	-0-
Schedule A deductions	(28,000)
Modified Oregon taxable income	(\$ 50,600)
Adjustments:	
Personal exemptions	-0-
Nonbusiness deductions	28,000
Nonbusiness income	(1,400)
Nonbusiness deductions in excess of nonbusiness income	26,600
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	(28,000)
Federal taxable income	<u>(\$ 50,600)</u>

Computation of Oregon NOL

Federal AGI	(\$ 22,600)
U.S. government interest	(900)
Personal exemptions	-0-
Schedule A deductions	(28,000)
Modified Oregon taxable income	<u>(\$ 51,500)</u>
Adjustments:	
Personal exemptions	-0-
Nonbusiness deductions	28,000
Nonbusiness income	<u>(1,400)</u>
Excess nonbusiness deductions	26,600
Oregon NOL	<u><u>(\$ 24,900)</u></u>

Note: U.S. government interest, a prohibited amount, isn't used to compute an Oregon NOL.

Part-year residents and nonresidents. You're allowed an Oregon NOL if it's generated from Oregon sources. 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.

You aren't allowed an NOL 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 using code 116 on Schedule OR-ASC or OR-ASC-NP.

Oregon NOL carryforward or carryback. Oregon follows the IRS carryforward and carryback laws in IRC Section 172. Generally, if you carry an NOL back for federal purposes, you must also carry the Oregon NOL back for Oregon purposes. If you elect to carry the federal NOL forward, you must also carry the Oregon NOL forward.

Exception: If you weren't required to file an Oregon return, carry the Oregon NOL to the year the loss may be first applied. The total number of year an NOL may be carried back or forward is the same for Oregon and federal.

Example 1: Joe has a farming NOL for federal and Oregon purposes for 2018. Joe carried his federal farming NOL back to his 2016 federal return. Because he carried back his farming loss for federal purposes, he must carry his farming loss back for Oregon purposes. If he wasn't required to file a 2016 Oregon tax return, he may carry his Oregon farming NOL back to 2017 or forward to a tax year after 2018.

Example 2: Assume the same facts as in Example 1. However, Joe wasn't required to file an Oregon tax return for 2016 or 2017. Joe can carry his Oregon farming NOL forward, even if it was carried back for federal purposes.

Example 3: Bud and Jody incurred losses from farming in 2017. They compute a farming NOL of \$12,000 and choose to carry the loss forward for federal purposes, which means they must also carry it forward for Oregon purposes. In 2018, before the loss is applied, Bud and Jody have federal AGI of \$35,000, and reported additions of \$8,000 and \$3,000 in subtractions. They're claiming the standard deduction on their federal return and will claim \$10,000 in Oregon itemized deductions on Schedule OR-A that aren't affected by AGI limits. Bud and Jody will apply the NOL and compute the amount available for carryforward to 2019, if any, as follows:

Allowable NOLD:		(\$ 12,000)
Federal AGI on the Oregon return	\$ 35,000	
Add: Capital loss deductions or Capital gain deduction	0 0	
Federal AGI for Oregon as revised		\$ 35,000
Less: Prohibited amounts		0
Standard or itemized deductions recomputed for revised federal AGI		<u>(24,000)</u>
Modified Oregon taxable income		<u>\$11,000</u>
NOL available for carryforward to the next year		<u><u>\$1,000</u></u>

Bud and Jody’s allowable NOL for Oregon is absorbed by their modified Oregon taxable income. Bud and Jody will carry \$1,000 forward to 2019 for both federal and Oregon purposes. They have no Oregon addition or subtraction because their NOLD will flow through from their federal return.

Part-year residents and nonresidents. Use the federal method without modifications, except prohibited amounts aren’t considered. Also, the NOLD, carryback, and carryover are based only on amounts attributable to Oregon sources.

Example 4: While residents of California, Robin and Valerie incurred losses from an Oregon partnership creating an \$85,000 Oregon-only NOL. Before the loss year, neither Robin nor Valerie needed to file Oregon returns. 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. 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 5: Leslie and Jill live in Vancouver, Washington. Leslie operates a business in Oregon. Leslie and Jill filed a nonresident Oregon return for 2017 reporting an Oregon-only NOL of \$6,000. Leslie and Jill elected to carry the NOL forward to 2018. In 2018, 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 carryforward to the next year as follows:

NOL		(\$6,000)
Oregon income after adjustments	\$1,600	
Add: Oregon capital loss deduction	2,000	
Oregon capital gain deduction	-0-	
Modified Oregon income as revised	\$3,600	
Less: Prohibited amounts	(-0-)	
Oregon percentage of standard or itemized deductions recomputed for revised federal AGI ($0.05 \times \$13,200$)	(660)	
Modified Oregon taxable income (limit for NOLD)		2,940
Carryforward of NOL available for next year		(\$3,060)

NOL as a subtraction. Generally, your NOL carryback and carryforward amounts will be reflected in your federal AGI. However, if you have an NOL carryback or an NOL carryforward for **Oregon only**, the loss won’t be reflected in your federal AGI. If your NOL isn’t reflected in federal AGI, report your carryback or carryforward on Schedule OR-ASC or OR-ASC-NP.

Example 6: Same facts as Example 6. For federal purposes, Leslie and Jill’s NOL will be entirely absorbed in 2018. The \$3,060 that is available to be carried forward to their 2019 return won’t be reflected in their 2019 federal AGI. They’ll compute the NOLD amount for 2019 as they did for 2018, and report the amount as a subtraction using code 321 on Schedule OR-ASC-NP.

Depreciation and amortization (ORS 316.707, 316.716, 316.739)

[Addition code 152] [Subtraction code 354]

Your Oregon depreciation 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.

Example 1: Paula expensed \$144,000 in assets under IRC Section 179 in 2010. Because Oregon only allowed expenses of \$134,000, she had a \$10,000 addition on her 2010 Oregon return. Due to deductions and losses related to her business, Paula had a \$15,000 NOL for 2010. Normally, she would have an Oregon basis of \$10,000 and could claim Oregon subtractions over the life of those assets. Because Paula's federal NOL is the same for Oregon purposes, she has already received the benefit in the NOL deduction. When Paula carries the NOL forward or back she isn't allowed any future year subtractions due to depreciation differences.

Example 2: Same as Example 1 except that Paula's NOL was only \$7,000. Paula still had an addition of \$10,000 on her 2010 Oregon return. Paula would have been allowed to claim \$10,000 in subtractions over the life of the assets bought in 2010 if she didn't have an NOL. Because Paula had an NOL, the amount claimed in subtractions over the life of the assets bought in 2010 is reduced to \$3,000 (\$10,000 expensing difference minus \$7,000 already allowed as an NOL deduction). She will use a reasonable method to assign the \$3,000 in Oregon adjusted basis to one or more of the assets purchased in 2010 to calculate her future years' differences in depreciation.

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
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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.

Partnership and S corporation modifications for Oregon and Business tax credits from PTE (ORS 314.712-314.752)

[Addition code 119] [Subtraction code 323]

If you received a Schedule K-1 from a PTE (Partnership, S corporation, or LLC filing as either), then you may have Oregon additions, subtractions, 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 there is a specific code for the Oregon addition or subtraction, use that code. Otherwise, use the above codes to identify the Oregon addition or subtraction.

Nonresidents: If your business operates both in and out of Oregon, it has an apportionment percentage from Schedule OR-AP. This percentage should be provided to you with your Schedule K-1, since it shows you how much of the income from your business is Oregon source. The business should have already multiplied your share of Oregon additions and subtractions by the apportionment percentage. Oregon credits that flow through may be required to be multiplied by your Oregon percentage on your Form OR-40-N. See the instructions for each credit for requirements.

Part-year residents: Use the nonresident information for the part of the year you were a nonresident and the full amounts for the time you were a resident.

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 reduced tax rate can be applied to qualifying business income up to \$5 million.

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, 2019, or if filing on extension, before the extension due date of October 15, 2019. The election is made by submitting the Schedule OR-PTE 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 is available for download from our website, or contact us to order it.

You can find answers to common questions on our website. Visit www.oregon.gov/dor and click on "Frequently asked questions" and search "reduced tax rate".

Qualifications

To be eligible for the reduced tax rate:

- You must have qualifying income from a sole proprietorship or PTE;
- You must have materially participated in the business; and
- The sole proprietor or PTE must have employed at least one qualifying employee in Oregon.

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. 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 employee requirement.

Example 1: Bryant and Marcus are each the sole shareholders of an S corporation. The S corporations are each 50% owners in a partnership. Bryant and Marcus both materially participate in the partnership, and the partnership employs several 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 employee requirement. However, the salary each received from the partnership doesn't qualify for the reduced rate.

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 at least one employee who performed work for the entity in Oregon for at least 1,200 hours during the tax year. The employee must work at least 30 hours in a week for that week's hours to count. The employee can't be an owner, member, 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.

Example 2: Alpha Partnership'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: Six employees worked in Oregon for Beta Corp (an S corporation) during the year for a total of 1,760 hours. One employee, Betty, worked 32 hours a week for 30 weeks, for a total of 960 hours (32 x 30). The other five employees each worked 20 hours

per week for 40 weeks in a job-share position. Only Betty's hours can be counted as qualifying hours. Beta Corp's nonpassive income doesn't qualify for the reduced tax rate because Betty's total hours don't meet the 1,200 hour requirement.

Example 4: Charlie, a sole proprietor, had three employees working at his Oregon business during the year. Together these employees worked a total of 2,240 hours. One employee worked 32 hours a week for 20 weeks and the other two employees each worked 40 hours per week during the same 20 weeks. The hours for each employee qualify because each employee worked at least 30 hours a week. Charlie's business meets the employee requirement for the reduced tax rate.

Temporary or "leased" employees. If a PTE or sole proprietor contracts with a professional employer organization to employ temporary or "leased" employees, the PTE or sole proprietor can use the hours worked in Oregon by those employees to qualify for the reduced tax rate if weekly hour requirements are met.

Amended returns

Amending to elect or revoke. You can't amend to revoke or make the election after your 2018 return is filed unless you file an amended return on or before the original due date of April 15, 2019, or if filing on extension, before the extension due date of October 15, 2019.

Example 5: Liam filed his original return on March 1, 2019 and didn't elect the qualified business income reduced tax rate. He files an amended return on April 12, 2019 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 6: Maggie filed her original return with a timely-filed extension on August 12, 2019 and elected the qualified business income reduced tax rate. She files an amended return on October 2, 2019 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, 2019, or October 15, 2019, 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 tax rate charts and additional 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 1988. Bob bought an office building in Yreka for \$800,000. He placed it in service March 1, 1988. For federal purposes, the building is 31½-year real property and is being depreciated using the applicable percentages. On January 1, 2016, 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, 2018, 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	<u>\$ 800,000</u>
or	
Fair market value as of January 1, 2018	\$1,473,000
Less: Depreciation previously allowed for Oregon tax purposes	- 0-
Oregon fair market value	<u>\$1,473,000</u>

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	<u>\$ 45,000</u>
or	
Fair market value as of January 1, 2018	\$ 27,000
Less: Depreciation previously allowed for Oregon tax purposes	- 0-
Oregon fair market value	<u>\$ 27,000</u>

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.

Sale of assets (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 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 "Mutually-taxed gain on the sale of residential property" under "Standard credits."

Fiduciary adjustment (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.

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.

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 in 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 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 469 Section (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.

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.

Divide your income after subtractions from the Oregon column by your income after subtractions from the federal column. Enter the figure on the Oregon percentage line. Don't fill in more than 100 percent or less than -0-.

Example 1: 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:

$$\$10,000 \div \$30,000 = 0.333 \text{ or } 33.3\%$$

Carry the decimal to three places to figure your Oregon percentage.

Negative income. If the federal column is negative and the Oregon column is positive, your Oregon percentage is 100%. If the federal column is positive or negative and the Oregon column is negative, your Oregon percentage

is 0%. 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%.
- If the federal number is smaller than the Oregon number, divide the federal number by the Oregon number.

Example 2:

Federal column	Oregon column	Oregon percentage
(\$20,000)	\$42,000	100%
\$50,000	(\$22,000)	0%
(\$25,000)	(\$15,000)	100%
(\$12,000)	(\$15,000)	80%

Deductions and modifications (ORS 316.695)

You may claim either Oregon itemized deductions or Oregon's standard deduction, whichever is larger, but not both.

Oregon itemized deductions

New—Oregon Schedule OR-A. Oregon now has its own form for reporting net Oregon 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.

Part-year residents and nonresidents

Are you claiming one or more of the following as an itemized deduction on Schedule OR-A?

- Child Care Fund contribution.
- Claim of right income repayment.
- College Opportunity Grant contribution.
- Oregon Production Investment Fund contribution.
- Renewable Energy Development Fund contribution.
- University Venture Development Fund contribution.
- Oregon IDA Initiative Fund donation.
- Gambling losses.
- Medical expenses also used for the WFHDC credit.

If so, you may need to modify your Oregon taxable income. See the instructions for each item in "Additions" to determine any modification amount needed. Modifications generally reduce your taxable income, so a modification that increases your taxable income must be reported as a **negative** amount. A **negative modification** uses a minus sign with the amount, and is reported using a modification code, not an

addition code. Enter the modification amount with a minus sign in Section 4 of Schedule OR-ASC-NP.

Example: Claude, a part-year resident, is claiming an Oregon credit for repayment of \$3,500 in wages he received last year under a claim of right when he was an Oregon resident. He claimed the repayment as a miscellaneous itemized deduction on his federal Schedule A, and is claiming the same deduction on Schedule OR-A. Using the worksheets in the instructions for the Oregon claim of right credit, he determines that he must report the entire repayment amount as a modification. Claude enters the modification amount with a minus sign, or -\$3,500, in Section 4 of Schedule OR-ASC-NP, along with the appropriate code number.

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	\$2,215
Married filing jointly	\$4,435
Married filing separately	
<i>If spouse claims standard deduction</i>	\$2,215
<i>If spouse claims itemized deductions</i>	-0-
Head of household	\$3,570
Qualifying widow(er)	\$4,435

Standard deduction—Age 65 or older, blind. Did you check 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 because you or your spouse are age 65 or older or because you or your spouse are blind? Then 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 widow(er).**
- **\$1,200 if single or head of household.**

Add this amount to the standard deduction amount for your filing status from above. Fill in the total on line 17 of Form OR-40, or line 38 of Form OR-40-P or Form OR-40-N.

Example 1: Matt and Sandy are married and file a joint return. Because Matt is over 65 and Sandy, age 62, is blind, they check boxes 17a and 17d on their Form OR-40. Their total standard deduction is \$6,435. They figure their standard deduction as follows:

\$4,435	Standard deduction for their filing status MFJ
<u>\$2,000</u>	2 x \$1,000
\$6,435	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.

Standard deduction worksheet for single dependents

1. Enter your earned income.	1. _____
2. Additional \$350.	2. <u> \$350 </u>
3. Add lines 1 and 2.	3. _____
4. Minimum standard deduction.	4. <u> \$1,050 </u>
5. Enter the larger of line 3 or 4.	5. _____
6. Basic standard deduction for single.	6. <u> \$2,215 </u>
7. Enter the smaller of line 5 or 6.	7. _____
8. If age 65 or older, 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. Enter the total here. 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 \$1,485, figured as follows:

1. Enter your earned income.	1. <u> \$1,135 </u>
2. Additional \$350.	2. <u> \$350 </u>
3. Add lines 1 and 2.	3. <u> \$1,485 </u>
4. Minimum standard deduction, set amount.	4. <u> \$1,050 </u>
5. Enter the larger of line 3 or 4.	5. <u> \$1,485 </u>
6. Basic standard deduction for single.	6. <u> \$2,215 </u>
7. Enter the smaller of line 5 or 6.	7. <u> \$1,485 </u>
8. If age 65 or older, enter \$1,200; if not, enter -0-.	8. <u> -0- </u>
9. If blind, enter \$1,200; if not, enter -0-.	9. <u> -0- </u>
10. Add lines 7, 8, and 9. Enter the total here. This is your standard deduction.	10. <u> \$1,485 </u>

Standard deduction worksheet for married filing jointly (MFJ) dependents

1. Enter your earned income.	1. _____
------------------------------	----------

- | | |
|---|-------------------|
| 2. Additional \$350. | 2. <u>\$350</u> |
| 3. Add lines 1 and 2. | 3. _____ |
| 4. Minimum standard deduction. | 4. <u>\$1,050</u> |
| 5. Enter the larger of line 3 or 4. | 5. _____ |
| 6. Standard deduction for MFJ. | 6. <u>\$4,435</u> |
| 7. Enter the smaller of line 5 or 6. | 7. _____ |
| 8. If age 65 or older, 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. Enter the total here. 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. <u>\$7,620</u> |
| 2. Additional \$350. | 2. <u>\$350</u> |
| 3. Add lines 1 and 2. | 3. <u>\$7,970</u> |
| 4. Minimum standard deduction. | 4. <u>\$1,050</u> |
| 5. Enter the larger of line 3 or 4. | 5. <u>\$7,970</u> |
| 6. Basic standard deduction for MFJ. | 6. <u>\$4,435</u> |
| 7. Enter the smaller of line 5 or 6. | 7. <u>\$4,435</u> |
| 8. If age 65 or older, enter \$1,000; if not, enter -0-. | 8. <u>-0-</u> |
| 9. If blind, enter 1,000; if not, enter -0-. | 9. <u>-0-</u> |
| 10. Add lines 7, 8, and 9. Enter the total here. This is your standard deduction. | 10. <u>\$4,435</u> |

Standard deduction—Nonresident aliens. The standard deduction for nonresident aliens is -0-.

Standard deduction—Short-period return. Individuals filing a short-period return may not claim a standard deduction.

Repatriated foreign income (ORS 316.737)

[Addition code 184]

The federal tax reform act included a one-time repatriation of deferred foreign income. This income, in the form of dividends from certain foreign corporations, was deemed distributed to shareholders in 2017 or 2018. The income must be reported even if it wasn't actually received during the tax year.

For individuals, this income is taxed at special federal rates. After the special rates are applied, a portion of the income is deducted, and the rest is included as "Other income" on the federal return. Oregon requires an addition for the deducted portion of the income.

Full-year residents. Report the deducted portion as an addition on Schedule OR-ASC.

Part-year residents and nonresidents. This income is taxable by Oregon if you were a resident at the time you were deemed to have received the distribution or if the income is from property employed in a business, trade, profession, or occupation carried on in Oregon when you were a nonresident. If you don't know the exact deemed distribution date, use any reasonable method to determine the amount of the deducted portion to include as an addition. Keep a statement with your tax records showing how you determined this amount. Report the addition on Schedule OR-ASC-NP.

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 amount due is computed the same way as for federal. The interest rate for 2018 is 5 percent.

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. Use only those installment obligations from dispositions of Oregon property.

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 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 relative, as that term is defined by 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 Worksheet OR-FCG to figure your tax using the reduced rate. Download the worksheet from our website or contact us to order it. Check the box labeled "Worksheet OR-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 this year's farm income is higher than your taxable income for 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.

Forms. Use our farm income averaging forms, worksheets, and instructions to figure your Oregon income tax. Form OR-FIA-40 or Publication OR-FIA-NP, which includes the forms for part-year or

nonresident filers, can be downloaded from our website or ordered by contacting us.

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

Federal law disconnect

[Addition code 131]

Domestic production activities income deduction

(ORS 316.836)

Oregon's tie to federal income tax law doesn't include the federal deduction for domestic production activities income under IRC Section 199. The federal deduction expired at the end of tax year 2017. Owners of fiscal-year pass-through entities who claim the deduction on the 2018 federal return must report an addition on Schedule OR-ASC or Schedule OR-ASC-NP.

Full-year residents. Report the amount you deducted as an addition on Schedule OR-ASC, section 1.

Part-year residents and nonresidents. Enter the full amount of the deduction in the federal column and -0- in the Oregon column of Schedule OR-ASC-NP, section 2. You must also report the amount deducted on your federal return as an adjustment. See "Write-in adjustments on federal Form 1040, Schedule 1, line 36" for more information.

Other federal law disconnects

Contact us for guidance if your tax situation involves a disconnect from federal law that isn't listed in this publication.

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.

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. Refer to the instructions for the credit you are claiming for specific details.

Refundable credits. Refundable credits may exceed your tax liability for the year. The amount of the credit that exceeds your tax liability will 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:

- Agriculture workforce housing.
- Biomass production/collection carryforward.
- Bovine manure production/collection.
- Child and dependent care carryforward.
- Claim of right income repayment.
- Crop donation.

- Earned income.
- Electronic commerce zone investment.
- Employer scholarship.
- Fish screening devices.
- Oregon Cultural Trust.
- Oregon Veterans' Home physicians.
- Personal exemption.
- Reservation enterprise zone.
- Residential energy.
- Rural emergency medical technicians.
- Rural medical practitioners.
- Rural technology workforce development.
- 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.

Claiming credits. The exemption credit, the EIC, and the political contribution credit for full-year filers have 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](#). Include Schedule OR-ASC or Schedule OR-ASC-NP when you file your return.

Standard credits

Exemption credit (ORS 316.085)

This year's maximum credit is \$201 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 widow(er) filers; 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. For tax years 2018 through 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 include:

- 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
- Brother, sister, stepbrother, or stepsister, or their descendant.

The term "child" includes a son, daughter, stepson, or stepdaughter, and includes 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
- Permanently and totally disabled, 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 who is a "permanently and totally disabled" child 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, brother, sister, stepbrother, or stepsister, or their descendant, who isn't also a qualifying child of the taxpayer;
- Father or mother, or their ancestor;
- Stepfather, stepmother, father-in-law, or mother-in-law;
- Brother-in-law or sister-in-law;
- Uncle or aunt;
- Nephew or niece; 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 2018 that exceeds \$4,150, 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 U.S., Mexico, or Canada.

Special rule for custodial 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 federal Publication 501, *Exemptions, Standard Deduction, and Filing Information*.

You and your spouse

You are allowed one personal exemption credit for yourself and one for your spouse if you are filing a joint return. 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.

If your spouse qualifies as your dependent and you are filing using the status married filing separately, include your spouse on the dependents list, not on the spouse line.

Severely disabled (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. You may qualify for the severely disabled 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.

If 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 "Severely disabled" 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 must not be 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, 2018, under the federal Individuals with Disabilities Education Act, and
- Was age 21 or younger at the end of the tax year.

For purposes of special education eligibility:

- Eligible disabilities and their Oregon Department of Education code numbers include:
 - Autism spectrum disorder (82).
 - Communication disorder (50).
 - Deafblindness (43).
 - Emotional disturbance (60).
 - Hearing impairment (20).
 - Intellectual disability (10).
 - Orthopedic impairment (70).
 - Other health impairment (80).
 - Specific learning disability (90).
 - Traumatic brain injury (74).
 - Visual impairment (40).

Get a current statement of eligibility that confirms one of the disabilities listed above from one of the following:

- The child's Individualized Education Program (IEP), or
- The child's Individualized Family Service Plan (IFSP).

Keep the eligibility statement with your permanent health records. If your dependent qualifies, mark the "Child with qualifying disability" box by your dependent's name on your return. Also be sure to include

the child when you total the number of dependents on line 6c and line 6d.

No carryforward. Your credit can't be more than your tax liability for Oregon. Any credit not used this year is lost.

Income taxes paid to another state (ORS 316.082, 316.131)

[Credit code 802]

If you pay tax to Oregon and another state on the same income, you have "mutually-taxed income."

In certain circumstances, you may be able to claim a credit on your Oregon return for income taxes paid to another state. Only take a credit for tax paid to another state 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. If you pay tax to 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. If you take a credit for taxes paid to another state on your Oregon return, you'll have an addition for the itemized deduction on Schedule OR-A for the same tax. See [this topic](#) under "Additions" and the instructions for Schedule OR-A for more information.

This credit is only for state income tax. You can't claim the credit for any city tax, county tax, school tax, sales 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 don't qualify because they aren't based on income.

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.

If Oregon and another state tax you 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.

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** the credit for taxes paid to another state **or** the credit for mutually taxed gain on the sale of residential property. **You can't claim both credits.**

See ["Mutually-taxed gain on the sale of residential property"](#) for more information about this credit.

Definitions

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.

Formula I

$$\frac{\text{Modified AGI taxed by both states}}{\text{Modified AGI}} \times \text{Your Oregon tax after all other credits}$$

Formula II

$$\frac{\text{Modified AGI taxed by both states}}{\text{Total income on the other state's return}} \times \text{Other state's tax after all other credits}$$

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, because it isn't an income item. See ["Subtractions"](#) for more information.

Who may claim this credit?

Full-year residents. You may claim the credit on your Oregon return only if you pay tax on the same income to 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 also taxed by Oregon. Roy may claim a credit for taxes paid to Idaho on his Oregon return. He must claim a credit for taxes paid to Oregon on his California nonresident return.

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; and
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 based on your mutually-taxed income during the part of the year that you were a **nonresident** and your mutually-taxed income during the part of the year that you were a resident.

- You may 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 the same income that is taxed by both Oregon and one or more of the following states: 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.**"
- You may 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 also 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 continues to have income from her Oregon business after she moves. She also has 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 moves to Virginia and is no

longer an Oregon resident, Oregon doesn't have 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.

Nonresidents. You may claim a credit on your Oregon return if you pay taxes on the same income to both Oregon and one or more of the following states—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 3: Elisa, a calendar-year taxpayer, is a resident of Indiana who receives income from an upscale boutique she owns in Oregon. Elisa may claim a credit for taxes paid to Indiana on the income from the boutique on her Oregon nonresident return.

Example 4: On January 1, Elisa moves away from Indiana and becomes a resident of Hawaii. She still receives income from the boutique in Oregon. Because Hawaii isn't one of the states listed above, 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?

Calculate the credit for each state separately. The procedure for calculating the credit depends on whether you are a full-year resident, a part-year resident, or a nonresident of Oregon.

Full-year residents

Remember, you may claim the credit on your Oregon return only if you pay tax to Oregon and a state other than Arizona, California, Indiana, or Virginia on the same income.

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 credit:

Federal AGI	\$ 44,000
Modifications	
Add municipal bond interest	+ 1,000
	\$ 45,000
Less U.S. bond interest	- (5,000)
Modified AGI	<u>\$ 40,000</u>

Note: The federal tax subtraction isn't used in this computation.

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 is based on your mutually-taxed income, and the tax on that income, during the part of the year that you were a **nonresident and** your mutually-taxed income, and the tax on that income, during the part of the year that you were a **resident**.

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	<u>\$ 29,000</u>

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.

Here's how Ezra figures his Oregon credit for income taxes paid to Idaho on income received while he was an Oregon resident:

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

Remember, you may claim a credit on your Oregon return only if you pay taxes on the same income to both Oregon and one or more of the following states—Arizona, California, Indiana, or Virginia.

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	\$ 10,000
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.

- 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 report the credit?

A credit for taxes paid to another state is reported on Schedule OR-ASC, section 3 or Schedule OR-ASC-NP, section 5. 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. Your credit can't be more than your tax liability for Oregon.

Add back required

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 **and** itemizing your deductions for Oregon, you must add back some or all of the deduction for the other state's income tax. See [this topic](#) in "Additions" for more information.

Exception for Oregon resident partners and S corporation shareholders

[Credit code 815]

Owners of companies taxed in Oregon as partnerships or S corporations may be able to claim a credit for income taxes paid to another state on their resident Oregon return. 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.

To claim the credit on the resident return, the partner or shareholder must have elected to be included in the entity's group/composite filing for the other state **and** the entity must have paid the partner's or shareholder's tax liability. The partner or shareholder is

considered to have paid a pro rata share of the other state's income tax.

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 tax of \$800. For this tax year, My Corp. distributed \$10,000 among its shareholders, 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 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.

Addition. If the pass-through entity paid income tax to another state 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."

Mutually-taxed gain on the sale of residential property (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 excluded on your federal return will also be excluded on your Oregon return.

Exception: If you were renting out a house and then converted it to your personal residence, the Oregon basis may be different from the federal basis due to depreciation differences.

You may qualify for this credit only if the gain on the sale of your residential property 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, but not both. You aren't eligible to claim this credit if you qualify for a credit for taxes paid to another state on the other state's tax return.

How much is the credit?

The credit is the **smaller** of:

- $\frac{\text{Mutually-taxed gain}}{\text{Total income on the return of the other state/country}} \times \text{Other state's/country's tax after all other credits}$

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, reduced by any deductions or exclusions allowed by either the other state/country or Oregon.

No carryforward. Your credit can't be more than your tax liability for Oregon. Any credit not used this year is lost.

Add back required

If you claim this credit, you must add back the amount you're claiming as an itemized deduction for the same taxes. Use addition code 135.

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 allowable credit by your Oregon percentage.

No carryforward. The credit can't be more than your Oregon tax liability. Any credit not used this year is lost.

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. Your credit is the amount allowed to a full-year resident, multiplied 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 may not exceed your tax liability for the year. There is no carryforward of unused credits. 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 \$200,000 on a jointly filed return, or \$100,000 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, or

- A certificate of nomination must be filed by or for the candidate,
- 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 Oregon. Any credit not used this year is lost.

Reservation enterprise zone (ORS 285C.309)

[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 Economic and Community Development Department for the location of reservation enterprise zones at: www.oregon4biz.com.

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 Form OR-REZT. Download the worksheet from our website or call us to order it. Keep the completed form with your tax records.

Part-year residents and nonresidents. Multiply the credit allowed a full-year resident by your Oregon percentage.

No carryforward. The credit can't be more than your Oregon tax liability. 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 on December 31, 2018, and receiving 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 benefits are less than \$7,500 (\$15,000 if married filing jointly), **and**
- Your household income plus your Social Security and Tier 1 Railroad Retirement Board 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 and grants (total amount minus \$500).
- Disability pay.
- Nontaxable dividends (other than "return of capital").
- Inheritance.
- Insurance proceeds.
- Nontaxable interest.
- Lottery winnings.
- Railroad Retirement Board benefits (Tier 2 only).
- Scholarships.
- IRA conversions included in AGI.

See the household income checklist in the [appendix](#) for more help. Don't include:

- Social Security and Tier 1 Railroad Retirement Board 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, line 15. (Don't include Social Security/Railroad Retirement Board 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 Railroad Retirement Board 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 by your Oregon percentage.

No carryforward. If your tax liability is less than \$250, any unused credit 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 assistants, 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 adjusted gross income (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.

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.

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 the table 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 by your Oregon percentage.

No carryforward. There is no carryforward of unused tax credits. Any credit not used this year is lost.

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

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. Refer to the instructions for the credit you are claiming for specific details.

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. You must multiply the allowable credit by the Oregon percentage on Form OR-40-N or OR-40-P.

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 ten consecutive tax years beginning with the tax year the agriculture workforce housing project is completed. However, the amount of credit allowed in any one tax year can't exceed the lesser of:

- 20% of the total credit; or
- Your Oregon tax liability.

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) 986-2008 or visit their website at www.ohcs.oregon.gov.

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, but you may carry forward any unused credits over the next nine years. Any credit that isn't used within nine years is lost.

Example: 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.

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 may use the smaller of her tax liability or \$150,000 ($0.20 \times 750,000$) of her credit in any given tax year. Table 1 shows Ann's tax liabilities for the next 12 years, the credit amounts she is using each year, and the credit remaining after each year:

Table 1: Credits used per year

Year	Tax liability	Credit used	Unused 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

Table 2 also shows Ann’s tax liability per year, along with the amounts she is claiming on her return. She claims any carryforward amount from an earlier year first, and if she still has a tax liability and unused credit remaining, she may use up to the maximum allowed credit for that year. Any excess amount above the lesser of her tax liability or the maximum credit for the year is carried forward to a later year.

Table 2: Amounts claimed on Ann’s return

Year	Tax liability	Amount from prior year	Amount awarded this year	Carried forward
1	\$500	N/A	\$0	\$0
2	\$1,000	N/A	\$0	\$0
3	\$90,000	N/A	\$90,000	\$60,000
4	\$127,000	\$60,000	\$67,000	\$83,000
5	\$170,000	\$83,000	\$87,000	\$63,000
6	\$50,000	\$50,000	\$0	\$13,000
7	\$95,000	\$13,000	\$82,000	\$68,000
8	\$40,000	\$40,000	\$0	\$28,000
9	\$32,000	\$28,000	\$0	\$0
10	\$60,000	\$0	\$60,000	\$90,000
11	\$0	\$0	\$0	\$90,000
12	\$250,000	\$90,000	\$0	\$0

In Table 2, the amounts in the “Amount from prior year” and “Amount awarded this year” columns add up to Ann’s tax liability for the year. The amounts in the “Amount awarded this year” and “Carried forward” columns add up to the maximum credit allowed for the year, or if no credit was used that year, the unused carryforward from an earlier year.

If Ann decided to transfer her credit in tax year 6 (for example, Table 1 shows that she would have \$300,000 available to transfer). Table 2 shows that Ann would still have \$63,000 carried forward from the credit she used in tax year 5 to apply to her own tax liability in tax year 6 or later, until the carryforward expires in tax year 14 (the ninth year after tax year 5).

Alternative Fuel Vehicle Fund carryforward (Note following ORS 315.336)

[Credit code 865]

Note: This is the last tax year for this carryforward credit to be claimed. If you received a tax credit through an Alternative Fuel Vehicle tax credit auction conducted by the us and the Oregon Department

of Energy in a prior tax year, and you have a carryforward, claim the credit on Schedule OR-ASC or OR-ASC-NP using credit code 865. Enter the carryforward in the “Amount from prior year” column. The amount used can’t be more than your tax liability for the year.

Part-year residents and nonresidents. You can claim the full amount limited by your tax liability for the year.

Alternative qualified research activities carryforward (ORS 317.154)

[Credit code 837]

This credit is only available to shareholders of an S corporation that qualified for the credit, and should be listed on the shareholder’s Oregon K-1. This credit was allowed to corporations that incurred qualified research expenses. If you have a carryforward, claim the credit on Schedule OR-ASC or OR-ASC-NP using credit code 837. Enter the carryforward in the “Amount from prior year” column.

Part-year residents and nonresidents. You may claim the full amount carried forward, limited by your tax liability for the year.

Carryforward. Your 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. This credit isn’t transferable.

Biomass production/collection carryforward (ORS 315.141, 315.144)

[Credit code 838]

This certified credit expired on December 31, 2017. If you were awarded a credit by the Department of Energy and you have a carryforward, you may claim the credit on Schedule OR-ASC or OR-ASC-NP using credit code 838. Enter the carryforward amount in the “Amount from prior year” column.

Carryforward. The amount used can’t be more than your tax liability for the year. Any credit that exceeds your tax liability may be carried forward for four years after the year it was first awarded. If you don’t use the carryforward within four years, it’s lost.

Part-year residents and nonresidents. You must prorate your credit by your Oregon percentage.

Bovine manure production/ collection (ORS 315.176, 315.179)

[Credit code 869]

Who qualifies?

If you are a producer or collector of bovine (cattle) manure that is used in Oregon as biofuel or to produce biofuel, you can claim a credit up to the amount of your tax liability.

Certification required

This credit is certified by the Oregon Department of Agriculture. You can find out more information, read administrative rules, and download an application form from their website, www.oregon.gov/oda.

Carryforward. Any credit that exceeds your tax liability may be carried forward for four years. If you don't use the carryforward within four years, it's lost.

Part-year residents and nonresidents. You must prorate your credit by your Oregon percentage.

Credit transfers. You may transfer your credit to another taxpayer. You and the transferee must jointly file a notice of tax credit transfer with us. Go to our website to download Form OR-TFR for information and instructions for completing the transfer notice.

Business energy carryforward (ORS 315.354, 315.357)

[Credit code 839]

The tax year ending December 31, 2012 was the last year this credit was certified. If you have a carryforward, claim the credit on Schedule OR-ASC or OR-ASC-NP using credit code 839. Enter the carryforward in the "Amount from prior year" column.

Carryforward. The amount used can't be more than your tax liability. If you don't use the carryforward within eight years after the first year the credit could be claimed, any unused amount is lost.

Child and dependent care carryforward (ORS 316.078)

[Credit code 840]

The last year to qualify for this credit was 2015. If you have a carryforward from the 2015 tax year, you may claim it on Schedule OR-ASC or OR-ASC-NP. Enter

the carryforward in the "Amount from prior year" column. The amount used can't be more than your tax liability for the year. Any credit not used within five years after it was first allowed is lost.

Child Care Fund contributions (ORS 315.213)

[Credit code 841]

Contributions to the Child Care Fund qualify for a credit on your Oregon income tax return. Your donation will help address child-care affordability, provider compensation, and quality assurance issues in Oregon. For details on the program, go to the Oregon Office of Child Care website, www.oregon.gov/occ.

Certification required

The Office of Child Care will compute your allowable tax credit and give you a certificate. The credit can't be more than 50 percent of the amount contributed. Keep this certificate with your permanent tax records.

Part-year residents and nonresidents. You can claim the credit allowed a full-year resident.

Carryforward. The amount used can't be more than your tax liability for the year. You may carry forward any unused credit over the next four years. If you don't use the carryforward within four years, it's lost.

Add back required

If you're claiming your donation to the Child Care Fund as an Oregon itemized deduction, you must add back your donation if you're claiming this credit. See [this topic](#) in "Additions" for details.

College Opportunity Grant (auction) (Or Laws 2018, ch 108, § 2)

[Credit code 871]

You may be able to claim a tax credit if you participated in the College Opportunity Grant tax credit auction conducted by the Department of Revenue, in cooperation with the Higher Education Coordinating Commission (HECC). Proceeds from the auction go to Oregon's Opportunity Grant Fund. Total credits certified by the HECC each fiscal year are limited to \$14 million. Visit the HECC website, www.oregon.gov/highered, for information about the Opportunity Grant 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 the certificate issued by the HECC. Claim the credit on Schedule OR-ASC or OR-ASC-NP using credit code 871.

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. You can carry forward any unused credits for 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.

Add back required

If you're claiming this credit, you must add back the amount you paid through the auction if you're including it as an Oregon itemized deduction. See [this topic](#) in "Additions" for more information.

Contribution of computers or scientific equipment for research carryforward (ORS 317.151)

[Credit code 842]

This credit is only available to shareholders of an S corporation that qualified for the credit. The last year that a carryforward amount may be claimed is 2018. This credit was allowed to corporations that made charitable contributions of computers or scientific research equipment to educational organizations prior to January 1, 2014. If you have a carryforward, claim it on Schedule OR-ASC or Schedule OR-ASC-NP using credit code 842. Enter the carryforward in the "Amount from prior year" column. The amount used can't be more than your tax liability for the year. Any credit not used this year is lost.

Part-year residents and nonresidents. You may claim the full amount carried forward, limited by your tax liability for the year.

Crop donation (ORS 315.156)

[Credit code 843]

Oregon allows a tax credit for crops donated to a gleaning 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, 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 15 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)
 $15\% (0.15) \times \$500 = \75 (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 or nonresident. You must prorate this credit by multiplying the amount by your Oregon percentage.

Carryforward. The amount used can't be more than your tax liability for Oregon. You may carry forward any unused credit over the next three years. If you don't use the carryforward within three years, it's lost.

Electronic commerce zone investment (ORS 315.507)

[Credit code 845]

This credit is available to individuals and businesses that engage in electronic commerce in an Oregon enterprise zone or city designated for electronic commerce. Go to www.oregon4biz.com for complete information.

What costs qualify?

Qualifying costs are investments in capital assets related to electronic commerce sales, customer service, order fulfillment, or broadband infrastructure.

Certification required

You may download the authorization application and property tax exemption claim forms from our website.

How much is the credit?

The credit is equal to 25 percent of the investments made during the tax year. The maximum credit allowed in any tax year is \$2 million.

Part-year residents and nonresidents. Multiply your credit by your Oregon percentage.

Carryforward. The amount used can't be more than your tax liability for Oregon. You may carry forward any unused credit over the next five years. If you don't use the carryforward within five years, it's lost.

Employer-provided dependent care assistance carryforward (ORS 315.204)

[Credit code 846]

This credit expired at the end of the 2015 tax year. Any unused credit could be carried forward for up to four years after the first year you claimed it. If you have a carryforward, claim it on Schedule OR-ASC or Schedule OR-ASC-NP. Enter the carryforward in the "Amount from prior year" column. The amount used may not be more than your tax liability for the year. Any credit carried forward from 2015 that isn't used by the 2019 tax year is lost.

Part-year residents and nonresidents. Multiply your credit by your Oregon percentage.

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 Oregon Student Assistance Commission. Keep the certificate with your tax records.

For an application and more information, contact the commission in Eugene at (541) 687-7400 or toll-free from an Oregon prefix at (800) 452-8807, ext. 7400, or go to their website at www.oregonstudentaid.gov.

Part-year residents and nonresidents. Multiply your credit by your Oregon percentage.

Carryforward. The amount used can't be more than your tax liability for the year. You can carry forward any unused credit over the next five years. If you don't use the carryforward within five years, it's lost.

Energy conservation projects (ORS 315.331)

[Credit code 849]

This tax credit for energy conservation projects certified by the Oregon Department of Energy is no longer available. No new credits were allowed after December 31, 2017. Claim this credit on Schedule OR-ASC or OR-ASC-NP using credit code 849.

If you have a credit that is claimed over multiple years, only enter the amount for tax year 2018 in the "Amount awarded this year" column. If you have a carryforward credit amount, enter it in the "Amount from prior year" column.

The amount used can't be more than your tax liability for the year. You can carry forward any unused credit for five years after it was first allowed. If you don't use the amount carried forward within those five years, 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 allowed 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. You can carry forward any unused credit over the next five years. If you don't use the carryforward within five years, it's lost.

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 Oregon 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.

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 allowed to commercial lending institutions that made loans to owners of oil- or wood-heated residential property, to finance energy conservation measures. The loans had to be made prior to January 1, 2012. If you have a carryforward, claim it on Schedule OR-ASC or OR-ASC-NP using credit code 848. Enter the carryforward in the "Amount from prior year" column.

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 15 years. This credit isn't transferable.

Long-term enterprise zone facilities carryforward (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 Oregon 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 a percentage of the payroll costs attributable to employment at the facility.

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. This credit isn't transferable.

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 during the tax year. The total amount of credits allowed to all taxpayers in any tax year may not exceed \$7.5 million.

How much is the credit?

The credit amount is the percentage determined by the fiduciary agency, but may be no more than 70 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.

Add back required

If you're claiming this credit and including your donation as an itemized deduction on Schedule OR-A, you'll have an addition in the amount of the donation. See [this topic](#) in "Additions" for details.

Part-year residents and nonresidents. Your credit is the same as that allowed for a full-year resident.

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 when you made the donation. If you don't use the unused credit 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 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.oregon4biz.com, or contact the Oregon Business Development Department at (503) 986-0163.

How much is the credit?

The credit is equal to 39% of the purchase price of the qualified equity investment. It must be taken over 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. Multiply your credit by your Oregon percentage.

Carryforward. The amount used can't be more than your tax liability. You can carry forward any unused credit over the next five years. 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 (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. Total credits certified by the Oregon Film and Video Office are limited to \$14 million for the fiscal year beginning July 1, 2017. Visit the Oregon Film and Video Office website, www.oregonfilm.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. Claim the credit on Schedule OR-ASC or OR-ASC-NP.

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. You can carry forward any unused credits over the next three years. If you don't use the carryforward within three years, it's lost. This credit can't be transferred or sold.

Add back required

If you're claiming this credit and claiming your contribution as an itemized deduction on Schedule OR-A,

you'll have an addition for the contribution amount. See [this topic](#) in "Additions" for more information.

Pollution control facilities carryforward (ORS 315.304)

[Credit code 857]

This credit was certified by the Oregon Department of Environmental Quality (DEQ). The last year to apply for certification of a pollution control facility was 2008. The total amount of the certified credit was divided over the remaining useful life of the facility, up to a maximum of ten years. The credit for each year was limited to the tax liability for that year. If you have a carryforward, claim it on Schedule OR-ASC or Schedule OR-ASC-NP using credit code 857. Enter the carryforward in the "Amount from prior year" column.

Carryforward. You can carry forward unused pollution control credits from a given tax year for three years. You should carry forward the oldest credit first. Use the *Taxpayer's Annual Worksheet for Pollution Control Facility Tax Credit* to calculate and track the credits and carryforwards you are claiming each year. The worksheet is available from the DEQ website, www.oregon.gov/deq.

Qualified research activities carryforward (ORS 317.152)

[Credit code 858]

This credit is only available to shareholders of an S corporation that qualified for the credit. This credit was allowed to corporations that increased their qualified research expenses and basic research payments (IRC Section 41). If you have a carryforward from an earlier tax year, you may claim it on Schedule OR-ASC or Schedule OR-ASC-NP using credit code 858. Enter the carryforward in the "Amount from prior year" column.

Part-year residents and nonresidents. You may claim the full amount carried forward, 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 tax year when it was first available. This credit isn't transferable.

Renewable energy development contribution (auction) carryforward (ORS 315.326)

[Credit code 859]

The last year for this tax credit auction was 2017. If you have a carryforward from an earlier year, claim the credit on Schedule OR-ASC or OR-ASC-NP. Enter the carryforward in the "Amount from prior year" column.

Part-year residents and nonresidents. You can claim the full amount carried forward, limited by your tax liability for the year.

Carryforward. The amount used can't be more than your tax liability. You can carry forward any unused credits over the next three years. If you don't use the carryforward within three years from the auction year, it's lost. This credit can't be transferred or sold.

Auction information. Visit our website for information on upcoming auctions, auction rules, and procedures.

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. If you have a carryforward, claim it on Schedule OR-ASC or OR-ASC-NP using credit code 860. Enter the carryforward in the "Amount from prior year" column.

Carryforward. The amount used can't be more than your tax liability for the year. You can carry forward any unused credit for eight years from the year when it was first allowed. If you don't use the carryforward within those eight years, it's lost.

Residential energy (ORS 316.116)

[Credit code 861]

This certified credit expired on December 31, 2017. The credit was based on an estimate of annual energy savings for a variety of devices. The maximum credit allowed for devices certified before September 1, 2015 was \$1,500 per year, limited to your tax liability. The maximum credit allowed for devices certified on or after September 1, 2015 is \$1,500 per device per year or your tax liability, whichever is less. For more information about this credit, see an earlier edition of this publication. Claim this credit on Schedule OR-ASC or OR-ASC-NP using credit code 861.

If you have a credit that is claimed over multiple years, only enter the amount for tax year 2018 in the "Amount awarded this year" column. If you have a carryforward credit amount, enter it in the "Amount from prior year" column. Keep your certification, a

copy of your application, proof of payment, and any supporting documentation with your tax records. Don't include these items with your tax return.

Part-year residents and nonresidents. Multiply the credit allowed a full-year resident by your Oregon percentage.

Carryforward. The amount used can't be more than your tax liability for Oregon. You may carry forward any unused credit for up to five years after the year when it was first allowed. If you don't use the credit within those five years, it's lost.

Rural technology workforce development (ORS 315.523)

[Credit code 868]

A tax credit is allowed to Oregon employers located in certain areas of the state who establish and implement an employee training program in collaboration with a local community college. The employer must be located in a county with these characteristics:

- Population between 60,000 and 80,000;
- Located outside the urban growth boundary of the Portland metro area or a city with population greater than 30,000;
- Unemployment rate at least 1.5 percentage points greater than the statewide rate;
- Has an agreement with an institute of higher education to coordinate efforts to promote business enterprise throughout the county;
- Is the site of a U.S. military base that employs at least 750 civilian and armed forces personnel; and
- Has sufficient internet service to conduct electronic commerce.

How much is the credit?

The credit is 12 percent of the costs to establish and implement the employee training program. Records sufficient to prove these costs must be kept for at least five years.

Part-year residents and nonresidents. Multiply your credit by your Oregon percentage.

Carryforward. The amount used can't be more than your tax liability for the year. You may carry forward any unused credit for up to three years. If you don't use the carryforward within three years, it's lost. This credit can't be transferred or sold.

Transportation projects (ORS 315.336)

[Credit code 863]

All transportation project credits certified by the Department of Energy have expired. Claim this

credit on Schedule OR-ASC or OR-ASC-NP using credit code 863.

If you have an alternative fuel vehicle project credit that is claimed over multiple years, only enter the amount for tax year 2018 in the "Amount awarded this year" column. If you have a carryforward credit amount, enter it in the "Amount from prior year" column.

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. You can carry forward any unused credit from the year it was first allowed over the next five years. If you don't use the carryforward within five years, it's lost.

University Venture Development Fund contributions (ORS 315.521)

[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. 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 allowable credit by your Oregon percentage.

Carryforward. The amount used is limited to your tax liability for the year. Any unused credit may be carried forward for three years. If you don't use the carryforward within three years, it's lost.

Add back required

If you're claiming this credit and including your contributions as an itemized deduction on Schedule OR-A, you'll have an addition for the contribution amount. See [this topic](#) in "Additions" for more information.

Refundable credits

Refundable credits may exceed your tax liability for the year. The amount of the credit that exceeds your tax liability will be refunded to you.

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? 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 the instructions for Worksheet OR-CRC, *Claim of Right Income Repayments*, to calculate your Oregon credit. Worksheet OR-CRC is available from our website or contact us to order it.

Earned income credit (EIC) (ORS 315.266)

You're allowed an Oregon EIC only if you qualify for the EITC on your federal return. Your Oregon EIC is refundable. If the credit is more than your Oregon tax liability, the difference will be refunded to you.

Your Oregon EIC is 11 percent of your federal EITC if you have a qualifying dependent under the age of 3 at the end of the tax year; otherwise, your credit is 8 percent of your federal EITC.

Part-year residents and nonresidents. Multiply your Oregon EIC by your Oregon percentage.

Manufactured home park closure (Temporary provisions following ORS 316.116)

[Credit code 891]

Did you move out of a manufactured home 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:

- Own your manufactured home; and
- Rent space in a manufactured home park that is closing; and
- Occupy your manufactured home as your principal residence; and

- Receive notice that the park is closing, and
- Move out of the manufactured home 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, fill out Schedule OR-MPC and enter the credit amount on Schedule OR-ASC or OR-ASC-NP. 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 home. 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.

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. For more information, see Schedule OR-WFHDC or OR-WFHDC-NP.

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.

Household size	AGI limit
2	\$49,380
3	\$62,340
4	\$75,300
5	\$88,260
6	\$101,220
7	\$114,180
8 or more	\$127,140

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 your credit by your Oregon percentage.

Add back required. If you're claiming medical expenses on your WFHDC schedule and you're including those expenses in your Oregon itemized deductions, you'll have an addition on Schedule OR-ASC or Schedule OR-ASC-NP. See [this topic](#) in "Additions" for more information.

How do I claim the credit?

Check the schedule instructions to see if you meet all of the requirements. If so, complete and include with your return:

- Schedule OR-WFHDC if you're a full-year resident, or
- Schedule OR-WFHDC-NP if you're a part-year resident or nonresident.

Download the schedule from our website or contact us to order a copy. You'll also need a copy of your Oregon tax return, including Schedule OR-ASC or Schedule OR-ASC-NP, and federal Form 2441, *Child and Dependent Care Expenses*.

You have to figure your federal and Oregon AGI and complete federal Form 2441 before you can calculate your credit. Make sure all the information you provide is complete and correct when you fill out the WFHDC schedule. We may ask you to verify the information you provide. If you provide incorrect information or an incomplete WFHDC schedule, your credit might be delayed or denied.

Once you have figured your credit, enter the amount on Schedule OR-ASC or OR-ASC-NP. Be sure to include this schedule along with the Schedule OR-WFHDC or OR-WFHDC-NP, 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

Who must pay

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 you owe \$1,000 or more on your 2018 Oregon income tax return, you must complete Oregon Form OR-10 and submit it with your return.

Figure your required annual payment

The required annual payment means the total amount of required installment payments for the tax year that is the lesser of:

- Ninety percent of the net tax shown on your 2018 tax return; **or**
- One hundred percent of the tax shown on your 2017 Oregon return (commonly called Safe Harbor).

Figure your required installment payment

The required installment payment means the amount of the payment that is due for each payment period for the tax year using one of the following methods:

- Regular installment—an amount, in each period, equal to 25 percent of the required annual payment; **or**
- Annualized installment—the annualized amount that would be due only on the actual income earned in that period (this method may benefit taxpayers who don't receive their income evenly throughout the year or part-year residents).

The total for the required installment payments must equal the required annual payment amount.

2018 required installment due dates:

April 16, 2018
June 15, 2018
September 17, 2018
January 15, 2019

Exceptions to paying interest on an underpayment of estimated tax

If you meet an exception, you may not have to pay interest on your underpayment.

Enter the exception number in the correct box below the "Interest on underpayment of estimated tax" line of your tax return if you meet one of the following exceptions.

Exception 1—Farmers and commercial fishermen. If at least two-thirds (66.7 percent)* of your 2017 or 2018 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.

Exception 2—Prior year. You don't need to pay interest on the underpayment of estimated tax if you met **all** of the following qualifications:

- You had no Oregon tax liability* for 2017; or you weren't required to file an Oregon return; and
- Your taxable year was a full 12-month period; and
- You were a full-year Oregon resident for 2017.

This prior-year exception doesn't apply to part-year residents who moved into the state during 2018.

*Your Oregon tax liability is your liability after tax credits, but before withholding and estimated tax payments.

Exception 3—You retired at age 62 or older or became disabled in 2017 or 2018, and your underpayment was for a reasonable cause. Include a statement with your return explaining the cause to be considered for the exception.

Exception 4—Underpayment was due to a casualty, disaster, or other unusual circumstances, and it would be unfair to impose underpayment interest. Include a statement with your return explaining the unusual circumstance.*

*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 2018; **or**
- You were a part-year resident for 2017.

Keep a copy of your exception explanation with your tax records.

Estimated tax

Who must pay

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 you expect to owe **\$1,000** or more when you file your 2019 Oregon income tax return. That's tax you owe after you subtract your credits and the tax withheld from your income, but before you subtract any 2018 refund you applied to your 2019 estimated tax.

Pay estimated tax for tax year 2019 if:

You expect to owe **\$1,000** or more when you file your 2019 Oregon income tax return, **and** you estimate the total income tax withholding will be less than:

- One hundred percent of the tax shown on your 2018 income tax return that covered all 12 months of the year; or
- Ninety percent of the tax to be shown on your 2019 income tax return; or
- Ninety percent of the tax on your 2019 annualized income.

Even if you expect to owe less than \$1,000, you may still make estimated tax payments.

For information on how to figure your estimated payments and how to obtain payment vouchers, visit our website or contact us for Publication OR-ESTIMATE.

Note: Estimated tax payments aren't a substitute for withholding Oregon income tax from wage income.

Farmers and commercial fishermen

Farmers and fishermen aren't required to pay estimated tax if at least two-thirds of their 2018 gross income or two-thirds of their 2019 estimated gross income from all sources is from farming or fishing. This includes oyster farming. Enter Exception #1 on your tax return and on Form OR-10.

Nonresidents and part-year residents

Nonresidents figure Oregon estimated tax only on income that is:

- Subject to Oregon withholding; or
- From conducting a trade or business within Oregon; or
- Single ticket Oregon lottery winnings greater than \$600.

S corporation, limited liability company (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. Or, you may be able to have Oregon income tax withheld from your retirement income. Contact the payer of the income to see if this is possible.

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.

Nonresident aliens

Estimated tax filing requirements are the same for both United States citizens and nonresident aliens. Nonresident aliens can be either Oregon residents or nonresidents. If you or your spouse is a nonresident alien, you must file separate estimated tax forms.

Fiduciaries

You don't need to pay estimated tax on behalf of an estate or trust.

Appendix

Contents

2018 Household Income Checklist
2018 Numeric Codes for Oregon
Adjustments, Additions, Subtractions,
Modifications, and Credits

Household income checklist

Use this list to decide if an item must be included in total household income.

Alimony and separate maintenance	Yes		Farm income (reduced by expenses) (losses limited to \$1,000)	Yes
Annuities and pensions (reduced by cost recovery)	Yes		Agricultural program payments	Yes
Business income (reduced by expenses) (losses limited to \$1,000)	Yes		Patronage dividends	Yes
Cafeteria plan benefits		No	Proceeds from sale of crops and livestock	Yes
Capital loss carryover		No	Rents	Yes
Capital losses (in year determined) (losses limited to \$1,000)	Yes		Sale of services	Yes
Child support	Yes		Fellowships	Yes
Child support included in public assistance	Yes		Foreign income excluded from federal AGI	Yes
Clergy's rental or housing allowance, in excess of expenses claimed to determine federal AGI	Yes		Foster child care (reduced by expenses)	No
Compensation for services performed			Funeral expenses received	No
Back pay	Yes		Gains on sales (receipts less cost)	Yes
Bonuses	Yes		Excluded gain for Oregon on sale of residence	No
Clergy fees	Yes		Gambling winnings (without reduction for losses)	Yes
Commissions	Yes		Gifts and grants (totaling more than \$500 in value)	
Director fees	Yes		Cash	Yes
Fees in general (trustee, executor, jury duty)	Yes		Gifts from nonspouse in the same household	Yes
Lodging for convenience of employer		No	Gifts from spouse in the same household	No
Meals for convenience of employer		No	Gifts other than cash (report at fair market value)	Yes
Salaries	Yes		Payment of indebtedness by another person	Yes
Severance pay	Yes		Grants and payments by foreign governments not included in federal AGI	Yes
Tips and gratuities	Yes		Grants by federal government for rehabilitation of home	No
Wages	Yes		Gratuities and tips	Yes
Deferred compensation			Hobby income	Yes
Contributions made		No	Honoraria	Yes
Payments received	Yes		IRA	
Depletion in excess of basis	Yes		<i>Conventional IRA</i>	
Depreciation, depletion, and amortization in excess of \$5,000	Yes		Payments received	Yes
Disability income (entire amount)	Yes		Payments contributed	No
Dividends, taxable and nontaxable			Rollovers or conversions not included in AGI	No
Credit union savings account "dividends" (interest)	Yes		Rollovers or conversion included in AGI	Yes
Insurance policy "dividends" (return of premium)		No	<i>Roth IRA</i>	
Return of capital dividends		No	Payments received	No
Stock dividends	Yes		Payments contributed	Yes
Tax-exempt dividends	Yes		Rollovers or conversions not included in AGI	No
Earned income credit, advanced		No	Rollovers or conversion included in AGI	Yes
Estate and trust income (also see "Inheritance") (losses limited to \$1,000)	Yes		Inheritance	Yes
			From spouse who resided in the same household	No

Insurance proceeds			Oregon Supplemental Income Program (OSIP)	Yes	
Accident and health Disability payments	Yes		Payments for medical care, drugs, medical supplies, and services for which no direct payment is received		No
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	No	Surplus food		No
Reimbursement of medical expense			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 (excess more than \$500)	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	No
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 (excess more than \$500)	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			

Congress extended several tax provisions by passing Public Law 116-94.
As a result, this publication was updated to include subtraction code 308 on December 31, 2019.



Publication OR-CODES

Numeric Codes for Oregon Adjustments, Additions, Subtractions, Modifications, and Credits

Effective for tax year 2019

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. Include Schedule OR-ASC or OR-ASC-NP when you file your return. (**Note:** For page numbers, see the item's listing in the Publication OR-17 Index.)

Adjustments—Schedule OR-ASC-NP, Section 1 only.	OR-40	OR-40-N	OR-40-P	Code
Certain business expenses of reservists, performing artists, and fee-basis government officials—Form 1040, Schedule 1, Line 24		X	X	002
Health savings account deduction—Form 1040, Schedule 1, Line 25		X	X	003
Penalty on early withdrawal of savings—Form 1040, Schedule 1, Line 30		X	X	004
Write-in adjustments on Form 1040, Schedule 1, Line 36, or Form 1040NR, Line 34		X	X	005

Additions—Schedule OR-ASC, Section 1 or OR-ASC-NP, Section 2.	OR-40	OR-40-N	OR-40-P	Code
Claim of right income repayments	X	X	X	103
Disposition of inherited Oregon farmland or forestland	X	X	X	106
Federal election on interest and dividends of a minor child	X	X	X	107
Federal income tax refunds	X			109
Net operating loss—non-Oregon source	X	X	X	116
Oregon College & MFS 529 Savings Plan nonqualified withdrawal	X	X	X	117
Oregon deferral of reinvested capital gain	X	X	X	118
Partnership and S corporation modifications for Oregon	X	X	X	119
Business credit—unused	X	X	X	122
Federal subsidies for employer prescription drug plans	X	X	X	123
Federal law disconnect	X	X	X	131
Accumulation distribution from certain domestic trusts	X	X	X	132
Fiduciary adjustment from Oregon estates and trusts	X	X	X	133
Gambling losses claimed as an itemized deduction	X			134
Individual development account nonqualified withdrawal	X	X	X	137
Oregon IDA Initiative Fund donation credit add back	X			138
Lump-sum distribution from a qualified retirement plan	X	X	X	139
Passive foreign investment company income	X	X	X	140
Child Care Fund contributions	X			142
Oregon Production Investment Fund contributions	X			144
University Venture Development Fund contributions	X			146
Income taxes paid to another state by a pass-through entity	X	X	X	148
Basis of business assets transferred to Oregon	X	X	X	150
Depletion in excess of property basis	X	X	X	151
Depreciation difference for Oregon	X	X	X	152
Federal depreciation disconnect	X	X	X	153
Gain or loss on sale of depreciable property with different basis for Oregon	X	X	X	154
Passive activity losses	X	X	X	155

Additions—Schedule OR-ASC, Section 1 or OR-ASC-NP, Section 2. (Continued from page 1)	OR-40	OR-40-N	OR-40-P	Code
Suspended losses	X	X	X	156
Federal estate tax on income in respect of a decedent	X			157
Interest on state and local government bonds outside of Oregon	X	X	X	158
Federal subtraction for retirement savings rollover from individual development account	X	X	X	159
Charitable donations not allowed for Oregon	X			160
Nonresident capital loss carryovers	X	X	X	161
WFHDC medical expenses	X			163
ABLE account nonqualified withdrawal	X	X	X	164
College Opportunity Grant contributions	X			165

Subtractions—Schedule OR-ASC, Section 2 or OR-ASC-NP, Section 3.	OR-40	OR-40-N	OR-40-P	Code
American Indian	X	X	X	300
Artist's charitable contribution	X			301
Construction worker and logger commuting expenses	X	X	X	303
Federal gain previously taxed by Oregon	X	X	X	306
Federal pension income	X	X	X	307
Tuition and fees	X	X	X	308
Federal income tax from a prior year	X			309
Fiduciary adjustments from Oregon estates and trusts	X	X	X	310
Foreign tax	X			311
Individual development account contributions	X	X	X	314
Interest and dividends on U.S. bonds and notes	X	X	X	315
Land donation to educational institutions	X	X	X	316
Interest from state and local government bonds	X	X	X	317
Military active duty pay	X	X	X	319
Mortgage interest credit	X			320
Net operating loss for Oregon	X	X	X	321
Oregon lottery winnings	X	X	X	322
Partnership and S corporation modifications for Oregon	X	X	X	323
Oregon College & MFS 529 Savings Plan deposit	X	X	X	324
Oregon income tax refund		X	X	325
Previously taxed employee retirement plans	X	X	X	327
Public Safety Memorial Fund award	X	X	X	329
Railroad Retirement Board benefits: tier 2, windfall/vested dual, supplemental, and railroad unemployment benefits	X	X	X	330
U.S. government interest in IRA or Keogh distributions	X	X	X	331
Scholarship awards used for housing expenses	X	X	X	333
Legislative Assembly salary and expenses	X	X	X	335
Film production labor rebate—Greenlight Oregon Labor Rebate Fund	X	X	X	336
Mobile home park capital gain	X	X	X	338
Capital Construction Fund (CCF) contributions	X	X	X	339
Federal business and health coverage credits	X	X	X	340
Income on a composite return		X	X	341
Oregon Investment Advantage	X	X	X	342
Mobile home tenant payment	X	X	X	344

Subtractions—Schedule OR-ASC, Section 2 or OR-ASC-NP, Section 3. (Continued from page 2)	OR-40	OR-40-N	OR-40-P	Code
Taxable benefits for former RDPs	X	X	X	347
Previously taxed IRA conversions	X	X	X	348
Special Oregon medical	X	X	X	351
DISC dividend payments	X	X	X	352
Depreciation difference for Oregon	X	X	X	354
Gain or loss on sale of depreciable property with different basis for Oregon	X	X	X	355
Passive activity losses	X	X	X	356
Suspended losses	X	X	X	357
Basis of business assets transferred to Oregon	x	X	X	358
Marijuana business expenses not allowed on the federal return	X	X	X	359
ABLE account deposit	X	X	X	360
First-time home buyer savings account contributions and earnings	X	X	X	361

Modifications—Schedule OR-ASC-NP, Section 4 only.	OR-40	OR-40-N	OR-40-P	Code
Artist's charitable contribution			X	600
Federal income tax refunds +		X	X	601
Federal tax from a prior year		X	X	602
Foreign tax		X	X	603
Gambling losses claimed as an itemized deduction +		X	X	604
Federal estate tax on income in respect of a decedent +		X	X	605
Federal mortgage interest credit		X	X	607
Federal business and health coverage credits		X	X	609
Child Care Fund contributions +		X	X	642
Oregon Production Investment Fund contributions +		X	X	644
University Venture Development Fund contributions +		X	X	646
Oregon IDA Initiative Fund donation credit add back +		X	X	648
Claim of right income repayment +		X	X	649
Charitable donations not allowed for Oregon +		X	X	650
WFHDC medical expenses +		X	X	651
College Opportunity Grant contributions +		X	X	652

+ Must be entered as a negative number.

Standard credits—Schedule OR-ASC, Section 3 or OR-ASC-NP, Section 5.	OR-40	OR-40-N	OR-40-P	Code
Income taxes paid to another state	X	X	X	802
Mutually-taxed gain on the sale of residential property	X	X	X	806
Oregon Cultural Trust contributions	X	PR	PR	807
Oregon Veterans' Home physicians	X	PR	PR	808
Political contributions		X	X	809
Reservation enterprise zone	X	PR	PR	810
Retirement income	X	X	X	811
Rural emergency medical technicians	X	PR	PR	812
Rural health practitioners	X	PR	PR	813
Pass-through income taxes paid to another state	X	X	X	815

Carryforward credits—Schedule OR-ASC, Section 4 or OR-ASC-NP, Section 6.	OR-40	OR-40-N	OR-40-P	Code
Agriculture workforce housing	X	PR	PR	835
Biomass production/collection carryforward	X	PR	PR	838
Business energy carryforward	X	X	X	839
Child and dependent care carryforward	X	PR	PR	840
Child Care Fund contributions	X	X	X	841
Crop donation	X	PR	PR	843
Electronic commerce zone investment	X	PR	PR	845
Employer-provided dependent care assistance carryforward	X	X	PR	846
Employer scholarship	X	PR	PR	847
Energy conservation projects	X	X	X	849
Fish screening devices	X	PR	PR	850
Oregon IDA Initiative Fund donation	X	X	X	852
Oregon Low Income Community Jobs Initiative/New Markets	X	X	X	855
Oregon Production Investment Fund contributions	X	X	X	856
Pollution control facilities carryforward	X	X	X	857
Renewable Energy Development Fund contributions carryforward	X	X	X	859
Renewable energy resource equipment manufacturing facility carryforward	X	X	X	860
Residential energy	X	PR	PR	861
Transportation projects	X	X	X	863
University Venture Development Fund contributions	X	PR	PR	864
Reforestation of underproductive forestlands	X	X	X	867
Rural technology workforce development	X	PR	PR	868
Bovine manure production/collection	X	PR	PR	869
College Opportunity Grant contributions	X	X	X	871

Carryforward credits available only to S corporation shareholders.				
Agriculture workforce housing loans (S corporation)	X	X	X	836
Alternative qualified research activities carryforward (S corporation)	X	X	X	837
Lender's credit: affordable housing (S corporation)	X	X	X	854
Lender's credit: energy conservation carryforward (S corporation)	X	X	X	848
Long-term enterprise zone facilities carryforward (S corporation)	X	X	X	853
Qualified research activities carryforward (S corporation)	X	X	X	858

Refundable credits—Schedule OR-ASC, Section 5 or OR-ASC-NP, Section 7.	OR-40	OR-40-N	OR-40-P	Code
Claim of right	X	PR	PR	890
Mobile home park closure	X	X	X	891
Working family household and dependent care (WFHDC)	X	PR	PR	895

PR indicates a credit that must be prorated.

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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

Tax Information Authorization and Power of Attorney for Representation form:

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: OFA Cashier
255 Capitol Street NE
Salem OR 97310-1206

Injured spouse refund requests:

Attention: Accounts Resolution Team
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 2015–2018

(Refer to prior year tax booklets before filing delinquent or amended returns)

Tax year	2015	2016	2017	2018
Return due date (Calendar year filer)	4/18/16	4/18/17	4/17/18	4/15/19

Standard deduction

Single (can be claimed on another's return)	\$1,050*	\$1,050*	\$1,050*	\$1,050*
Single	\$2,145	\$2,155	\$2,175	\$2,215
Married filing jointly or qualifying widow(er)	\$4,295	\$4,315	\$4,350	\$4,435
Married filing separately	\$2,145†	\$2,155†	\$2,175†	\$2,215†
Head of household	\$3,455	\$3,475	\$3,500	\$3,570

Federal tax subtraction maximum	\$6,450–\$0‡	\$6,500–\$0‡	\$6,550–\$0‡	\$6,650–\$0‡
Exemption credit	\$194 or \$0 ^x	\$195–\$0 ^{x%}	\$197 or \$0 ^{x%}	\$201 or \$0 ^{x%}

Oregon 529 plan and ABLE account contribution maximum

Joint return	\$4,600 ^Δ	\$4,620	\$4,660	\$4,750
All others	\$2,300 ^Δ	\$2,310	\$2,330	\$2,375

Marginal tax rates

Single	5%	First \$3,350	First \$3,350	First \$3,400	First \$3,450
Married filing separately	7%	\$3,351–\$8,400	\$3,351–\$8,450	\$3,401–\$8,500	\$3,451–\$8,700
	9%	\$8,401–\$125,000	\$8,451–\$125,000	\$8,501–\$125,000	\$8,701–\$125,000
	9.9%	Over \$125,000	Over \$125,000	Over \$125,000	Over \$125,000
Married filing jointly	5%	First \$6,700	First \$6,700	First \$6,800	First \$6,900
	7%	\$6,701–\$16,800	\$6,701–\$16,900	\$6,801–\$17,000	\$6,901–\$17,400
Head of household	9%	\$16,801–\$250,000	\$16,901–\$250,000	\$17,001–\$250,000	\$17,401–\$250,000
	9.9%	Over \$250,000	Over \$250,000	Over \$250,000	Over \$250,000
Qualifying widow(er)	9.9%	Over \$250,000	Over \$250,000	Over \$250,000	Over \$250,000

* Greater of amount shown or earned income plus \$350, but not more than the standard deduction for a single filer.

† 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 disabled child or severely disabled taxpayer or spouse is \$0 if AGI is over \$100,000, regardless of filing status.

^Δ Oregon 529 Plan only