

1997

Oregon

Full-Year Resident

Forms 40S & 40 with Instructions

Our Internet address is:
<http://www.dor.state.or.us>

How to get your refund faster

Use your booklet label if
you have one.

Be sure to attach your W-2s.

Use the correct Social
Security number.

Double check your math.

Make sure you subtract
your federal tax liability
(see instructions for the
correct amount).

Be sure to sign your return.

File your return electroni-
cally. See page 6 for details.

What services are paid for with your income tax dollar

Education—57¢

- Primary and secondary
- Higher education
- Community colleges



Human Services—22¢

- Oregon Health Plan
- Elderly and disabled persons
- Children and families
- Other services

Public Safety—21¢

- Adult prisons
- Courts
- Juvenile corrections
- State police
- Natural resources
- Other services

Oregon Department of Revenue
955 Center Street NE
Salem OR 97310-2551

Please use this label
on your return



Dear Oregonians,

On behalf of the Department of Revenue, I invite you to take the time to look through this tax booklet before you file. Many changes to tax law have occurred during the past year and we want to make sure you have all the “tools” you need to complete your tax return.

Fresh from the 1997 Legislature are two new tax credits for low-income families: the earned income credit and the working family credit. You will find instructions concerning these credits on pages 9–10 and 29–30. The Legislature also passed a law that permanently ties the Oregon personal income tax to changes in the federal Internal Revenue Code. This means that in the future Oregon will adopt federal tax law changes as they occur, and there will be more consistency between your federal and state returns.

Earlier I referred to providing you with all the necessary tools to file your taxes. We recently updated our Internet website and it is full of informative publications, pertinent answers to your questions, and forms to help you file. When you’re done touring our site, please respond to our survey so we can better serve you in the future. Our Internet address is <http://www.dor.state.or.us>

Here at the Oregon Department of Revenue we take our mission seriously: to make tax systems work effectively to fund services to Oregonians. Our role is to equitably and fairly administer the tax laws the Legislature has passed. We collect taxes for 30 tax programs, create and provide forms and publications, and help you, the taxpayer, with your questions.

We want to make sure we are providing you with great service. To do that, we invite you to give us feedback on this booklet, forms, and publications. We are very interested in your views and opinions, and look forward to working with you in making the filing process easy and understandable.

Sincerely,



Elizabeth Harchenko
Director
Oregon Department of Revenue

These instructions aren’t a complete statement of laws and Oregon Department of Revenue rules. You may need more information or forms. See page 36.

If you have disabilities and need special accommodations, see page 36 for numbers to call and places to get help.

Labels. If you received a label with this tax booklet, please use it on the income tax return you mail to the department. Make sure the label is correct. If it isn’t, mark through the incorrect information and make corrections on the label. If someone else prepares your return, ask the preparer to use your label. Your return will be processed faster.

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Do I need to file? (Amounts apply to full-year residents only.)			
Marital Status	Filing Status	Age	If Gross Income is More Than:
Single (including divorced and legally separated)	Single—can be claimed on another's return	Any	\$650
	Single	Under 65	\$4,360
		65 or older	\$5,560
	Head of household	Under 65	\$5,200
65 or older		\$6,400	
Married	Married, joint return	Under 65 (both)	\$8,120
		65 or older (one)	\$9,120
		65 or older (both)	\$10,120
	Married, separate return	Under 65	\$4,060
Qualifying widow(er)	Qualifying widow(er)	65 or older	\$5,060
		Under 65	\$5,560
In addition, file a return if: <ul style="list-style-type: none"> • You are required to file a federal return. • You had \$5 or more of Oregon income tax withheld from your wages. 			

New information

Federal law. Oregon is now permanently tied to federal law. Most items are treated the same way on your Oregon and federal returns. Any future federal law changes will automatically be adopted by Oregon. You may amend prior year Oregon returns for any retroactive federal changes. For example, you may amend your 1995 and 1996 Oregon returns if you received education assistance from your employer and included those payments in Oregon income.

Depreciation difference. (1981–1985 ACRS assets.) The 1996 law requiring a mandatory one-time adjustment to align Oregon basis with federal basis for these assets has been revised to make the adjustment elective. If you received no benefit from making this adjustment in 1996, you may now revoke it by amending your 1996 return. By revoking the adjustment, you will need to report a depreciation difference each year. If you elect to make the adjustment, you should not have depreciation differences for these assets.

Retirement income credit and Special Oregon medical deduction. The minimum age requirement is 61.

Retirement income credit. Effective January 1, 1996, the credit is figured on pension income only if it is included in **Oregon** taxable income. Prior to 1996, this credit was figured on pension income included in **federal** taxable income. If you claimed a credit in 1996 on pension income that was not included in Oregon taxable income, you should amend to pay the tax. If you did not claim a credit or the credit was denied by the department in 1996 because the pension income was

included in Oregon, but not federal income, you should amend your 1996 return to claim this credit.

Earned income credit. Oregon now allows a credit equal to 5 percent of your federal earned income credit. The credit is limited to your Oregon tax liability with no carryover allowed.

Working family credit. You may qualify to claim a percentage of your child care expenses as part of the new working family credit. This credit is in addition to the existing child care credit. It is limited to your Oregon tax liability with no carryover allowed.

Federal tax subtraction. When taking this subtraction, you no longer have to reduce your federal tax liability by the amount of your federal earned income credit.

Rural medical credit. This credit has been extended to include certain optometrists. Contact the Office of Rural Health at (503) 494-4450 for information.

Estimated tax. Oregon laws now differ from federal laws for estimated tax. You must still make estimated tax payments for Oregon if you expect to owe more than \$500.

New in 1998

Oregon Lottery winnings. Beginning January 1, 1998, Oregon Lottery winnings over \$600 will be subject to Oregon income tax. Prizes paid on winning tickets bought before this date will not be taxed by Oregon.

Unemployment withholding. Beginning January 1, 1998, individuals receiving unemployment compensation may request that Oregon state tax be withheld each pay period.

General information

What income does Oregon tax?

An Oregon resident is taxed on all income, including income from outside the state. A nonresident of Oregon is taxed only on income from Oregon sources.

Residency

Am I a resident, a nonresident, or a part-year resident?

The following definitions will help you decide.

- You are an Oregon resident, even though you live outside Oregon, if **all** of the following are true:
 - You think of Oregon as your permanent home.
 - Oregon is the center of your financial, social, and family life.
 - Oregon is the place you intend to come back to when you are away.
- You are a nonresident if your permanent home is outside Oregon all year.
- You are a part-year resident if you moved into or out of Oregon during the tax year. You are still a full-year resident if:
 - You temporarily moved out of Oregon, **or**
 - You moved back to Oregon after a temporary absence.

Special-case Oregon residents. You are considered a nonresident if **all** the following are true:

- You are an Oregon resident who lived outside Oregon the entire year.
- You didn't keep a home in Oregon during any part of the year.
- You spent less than 31 days in Oregon during the year.

Filing status. Generally, you must use the same filing status for your Oregon and federal returns.

Exceptions for married persons when spouses are:

- **Full-year resident and part-year resident.** You may file separate Oregon returns. The full-year resident will file on Form 40 and the part-year resident will file on Form 40P. If you choose to file a joint return for Oregon, file on Form 40P.
- **Full-year resident and nonresident.** You may file separate Oregon returns. The full-year resident will file on Form 40 and the nonresident will file on Form 40N. If you choose to file a joint return for Oregon, file on Form 40N.
- **Part-year resident and nonresident.** You may file separate Oregon returns. The part-year resident will file on Form 40P and the nonresident will file on Form 40N. If you choose to file a joint return for Oregon, file on Form 40N.

- See page 36 to order the information circular "Married Persons Filing Separate Returns."

Armed forces

I was in the armed forces in 1997. How should I file?

- You may file as a nonresident if you meet **all** of the following requirements:
 - You didn't have a personal residence in Oregon for yourself or for your family during any part of 1997.
 - Your personal residence was outside of Oregon during all of 1997.
 - You spent less than 31 days in Oregon in 1997.

File **Form 40N** to get a refund of Oregon tax withheld from your military wages. Form 40N is in the nonresident and part-year resident booklet. See page 36 to order that booklet.

- **If you don't meet all three requirements, file Form 40** in this booklet.
- **Nonresidents stationed in Oregon.** Oregon doesn't tax your military income, but Oregon does tax other income earned in Oregon by you or your spouse. Nonresident members of the Oregon National Guard or reserves may exclude only active duty pay. If you have income taxed by Oregon, use Form 40N in the nonresident and part-year resident booklet.

What form do I use?

Use Form 40S if ALL of the following are true:

- You are a full-year Oregon resident.
- Your income is only from wages, interest, ordinary dividends, unemployment, taxable scholarships, and fellowship grants.
- You claim the standard deduction on your return.
- Your Oregon taxable income is \$50,000 or less.
- You do **not** have pension or annuity income.
- You do **not** owe penalty or interest.
- You did **not** pay estimated tax during the year.

Use Form 40 if:

- You are a full-year Oregon resident, and
- You can't use Form 40S.

You'll need to use Form 40 even if only one of the following is true:

- You paid or should have paid estimated tax during the year.
- You have adjustments on Form 1040, line 31, or Form 1040A, line 15. Examples are alimony and IRA deductions.
- You have Oregon "additions" or "subtractions" other than the federal tax subtraction. The most common ones are listed on the return.

- You itemize deductions on your Oregon return.
- You are married filing separately and your spouse is itemizing.
- You are claiming tax credits other than the exemption credit or those listed on page 10.
- You received Social Security, pension, or annuity income.
- You are in the military and are claiming the subtraction for military active duty pay.
- You owe penalty or interest.
- You want to apply all or part of your refund to your 1998 estimated tax.

Use Form 40P if:

- You are a part-year resident, or
- You are a part-year resident filing a joint return, and your spouse is a full-year resident, or
- You and your spouse are part-year residents filing jointly.

Use Form 40N if:

- You are a nonresident, or
- You are a nonresident filing a joint return, and your spouse is a full-year or part-year resident, or
- You and your spouse are nonresidents filing jointly.

To order forms 40P and 40N and instructions, see page 36.

When should I file my return?

File as soon as possible. The filing deadline for calendar year 1997 is April 15, 1998.

Returns for other tax periods are due by the 15th day of the fourth month after the close of your tax year.

Need more time to file?

- If you need more time to file **both** your federal and your Oregon returns:
 - Generally, Oregon allows you the same extension you have for your federal return. If you filed a federal extension, **do not** attach a copy to the Oregon return. Make sure you check the “Extension Filed” box on your Oregon return when you file.
 - To avoid penalty and interest, mail any tax due by April 15, 1998. Attach payment to a copy of your federal extension and mail to the department.
 - Include the amount you paid with your extension on Form 40, line 45, when you file your return.
- If you need an extension of time to file **for Oregon only**, send us a federal extension form. Write “For Oregon only” across the top. Include your payment. Send your extension and payment to: Extension Clerk, Oregon Department of Revenue, PO Box 14950, Salem OR 97309-0980.

- Check the extension filed box on your Oregon return when you file. We’ll notify you only if your extension is denied.

More time to file doesn’t mean more time to pay!

You must pay any tax due when filing your extension.

If you don’t pay all of the tax due with your extension, you will owe interest after April 15, 1998, to the date of your payment. The current interest rate is 10 percent per year. If the tax is not paid within 60 days of our bill, the interest rate increases to 14 percent per year.

Were you stationed in the Persian Gulf or another designated combat zone? Did you receive additional time to file your 1997 federal return? If so, Oregon allows the same additional time to file. Write “combat zone” in **blue** ink at the top of the form.

Penalties

You must pay a penalty if:

- You don’t file your return or pay your tax by the original due date of the return (even if you have an extension). The penalty is 5 percent of your unpaid tax.
- Your return isn’t filed within three months after the due date (including extensions). The penalty is 20 percent of the tax due and is in addition to the 5 percent penalty.

Exception: You don’t have to pay a penalty if you do **all** of the following:

1. Get an extension of time to file your return.
2. Pay at least 90 percent of the tax due by April 15, 1998.
3. Pay the balance of tax due at the time you file within the extension period.
4. Pay the interest on the balance of tax due at the time you file your return or within 30 days of our billing date.

If you don’t file three consecutive years’ returns by the due date (including extensions) of the third year, a 100 percent penalty is imposed on each of the three years’ tax returns.

1998 estimated tax

Oregon estimated tax laws have not changed. But, some federal estimated tax laws have changed. Use Oregon instructions to determine if: 1) you need to make estimated tax payments for 1998, or 2) you had an underpayment in 1997. See page 36 for more information.

Estimated tax is the amount of tax you expect to owe when you file your 1998 Oregon individual income tax return. The tax you owe is net income tax less your anticipated Oregon withholding.

Who must pay estimated tax?

In most cases, **people who expect to owe \$500 or more** on their 1998 Oregon income tax return.

For example:

- Self-employed people who don't have Oregon tax withheld from their income.
- Others who don't have Oregon tax withheld from their income. Such income can include unemployment compensation, pensions, interest, or dividends.

There are other limitations based on income. See page 36 to order the estimated tax coupons and instructions or the information circular "Estimated Tax."

- Wage earners. If you expect to owe \$500 or more on your 1998 return, you may want to increase the amount your employer withholds from your wages for Oregon. If you and your spouse both work, see page 36 to order the information circular, "Oregon Income Tax Withholding: Some Special Cases."

Exception: You don't have to pay estimated tax if at least two-thirds of your gross income is from **farming or fishing**. Attach Form 10, "Underpayment of Oregon Estimated Tax," to your Oregon income tax return. Check the box on Form 10 to tell us you qualify for the farmer's and fisher's exception. See page 36 to order Form 10.

How do I make estimated tax payments?

Complete an Oregon estimated tax Form 40ES. Forms are included with the Oregon estimated tax instruction booklet. The Oregon Department of Revenue mails estimated tax booklets and forms to taxpayers who may need to pay estimated tax, based on past tax returns.

If you don't get your Oregon estimated tax forms by the end of February, see page 36 to order the forms.

When do I pay?

First-period estimated tax—due April 15, 1998.*
Second-period estimated tax—due June 15, 1998.
Third-period estimated tax—due Sept. 15, 1998.
Fourth-period estimated tax—due Jan. 15, 1999.

* **Don't send your 1998 Oregon estimated tax Form 40ES and payment with your 1997 Oregon income tax return.** Mail Form 40ES with your estimated tax payment separately to: Oregon Department of Revenue, PO Box 14950, Salem OR 97309-0980.

Elderly Rental Assistance (ERA)

To qualify for an ERA refund you must be a renter who resided in Oregon on December 31, 1997, be age 58 or older on December 31, 1997, have household income less than \$10,000, and use more than 20 percent of your household income to pay for rent, fuel, and utilities. If you qualify, see page 36 to order an ERA booklet.

Are you self-employed?

If you are self-employed and do business in Washington, Multnomah, or Clackamas counties, you may need to file Form TM, Tri-Met Self-Employment tax return. If you are self-employed and do business in Lane County, you may need to file Form LTD, Lane Transit District Self-Employment tax return. See page 36 to order forms or receive information.

Questions answered

What tax records do I need to keep?

Keep a complete copy of your federal and state returns. Also, keep all receipts, cancelled checks, statements, and documentation you used to prepare your return. Save these records for at least three years. If your return is audited, the law says you must show proof of your income and expenses.

Also, save all records from the sale or purchase of property and investments. Keep these records for at least three years after you sell the property or investment.

For more information, see page 36 to order the information circular "Record Keeping Requirements."

I'm getting an income tax refund this year. When will I get my check?

- If you mail your return by April 1:
 - and use your label, allow 4–6 weeks.
 - and don't use your label, allow 6–8 weeks.
- If you mail your return after April 1:
 - Add 2–3 weeks to the above.
- If you file your return electronically:
 - Allow 10–21 days to receive your refund.

Exceptions: If there is a mistake on your return, your refund will be delayed. By law, the Department of Revenue cannot issue refund amounts less than \$5. Generally, the department cannot issue a refund when your return is filed more than three years after the due date.

What is electronic filing?

Oregon has joined many other states in the federal/state electronic filing program. This program allows federal and state returns to be sent together electronically.

Electronic filing offers efficient and accurate one-stop filing for taxpayers. This service will be available January 16 and will continue through October 15.

Generally, you need to file electronically through a tax preparer or a company registered with the Internal Revenue Service (IRS). You can prepare your own return and then pay a professional to transmit it or you can pay to have your return both prepared and transmitted. To find a tax professional to file your return electronically, look in your local telephone directory under "Tax Return

Preparation.” The program is open to full-year residents who are expecting refunds or have tax to pay. If you owe additional tax, you can file your return any time before the due date and you will have until April 15, 1998, to pay the tax.

I’m moving. Will my refund check be forwarded to me?

Yes. If you move after you mail your return, let us know your new address for a faster refund. Write to: Address Change, Oregon Department of Revenue, 955 Center St. NE, Salem OR 97310-2501. Or, you can call one of the numbers listed on page 36. Also, fill out a change of address form at your post office.

May I round off cents to the nearest whole dollar?

Yes. You may round off cents to the nearest whole dollar on your return and schedules. If you round off, do so for all amounts. You may drop amounts less than 50 cents. Increase amounts from 50 to 99 cents to the next dollar. For example, \$12.15 becomes \$12 and \$233.50 becomes \$234.

Is my tax return private information?

Yes. Any Oregon Department of Revenue employee who gives out unauthorized information about your return may be convicted of a class C felony.

Should I put my return together in a special order?

Yes. Put your Oregon return in the following order to speed processing. Top to bottom:

1. Form 40 or Form 40S with Form W-2s and all 1099s showing Oregon tax withholding stapled to the lower front.

2. Attach any payment on top of the W-2 forms.
3. Copy of front and back of federal Form 1040, 1040A, 1040EZ, or 1040PC. Form 40S filers don’t need to attach this item.
4. If applicable, Oregon Form 10, “Underpayment of Oregon Estimated Tax.”
5. If applicable, proof to claim “Credit for Income Tax Paid to Another State.”
6. If applicable, the form “Oregon Deferral of Reinvested Gain.”

Staple all the pages of your return together in the top left-hand corner.

Don’t attach extension requests or any federal schedules such as A, B, C, D, Form 2441, etc. We receive some federal schedule information electronically from the IRS. We may, however, ask you for schedules or additional information later.

When do I need to file an amended Oregon return?

File Form 40X (Oregon amended return) any time you need to correct your Oregon return. Generally, you are allowed three years from the due date of the return or the date the return was filed, whichever is later, to file an amended return to claim a refund. If you amend your federal return, usually you’ll need to amend your Oregon return. See page 36 to order Form 40X.

What if I’m audited by the IRS?

File an amended Oregon return if any changes are made. Generally, you must file within two years after the date of the federal audit report to receive a refund.

Form 40S instructions

Caution: Not everyone may file Form 40S (short form). See page 4 to see if this is the right form for you.

Do your federal return first. Use the information from your federal return to complete your Oregon return.

Keep a complete copy of your federal and state returns. Also, keep the original of all papers or receipts you used to prepare your return. Save these records for at least three years.

Address section

Label. If you received a label with this tax booklet, please use it on the Form 40S you mail to the department. Your return will be processed faster. Don't attach the label to your return until the return is completed. **If someone else prepares your return, ask them to use your label.**

Make sure the label is correct. If it isn't, mark through the incorrect information and make corrections on the label. If you don't have a label, print or type your name, address, and Social Security number on your return.

Social Security number. The request for your Social Security number(s) is authorized by Section 405, Title 42, of the United States Code. You must give us this information. It will be used to establish your identity for tax purposes only.

Age. Fill in your age as of December 31, 1997.

Check the boxes

Filing status

Check the box next to your filing status. Check the same filing status you checked on your federal return. If you and your spouse don't have the same residency status, you may file separate returns for Oregon even if you filed married filing jointly for federal. See page 4 for exceptions.

If you are **married filing separately**, fill in your spouse's name and Social Security number by box number 3. Don't fill in your spouse's name or Social Security number in the heading of the return.

If you are filing as **head of household**, fill in the name of the qualifying person from your federal return by box number 4.

Exemptions

6a and 6b. Yourself and spouse. Check "Yourself" and other boxes that apply. **If you can be claimed as a dependent on someone else's return, you can't claim an exemption for yourself on your Oregon return.**

Severely disabled. Did you have a severe disability at the end of 1997? If so, you may claim an additional

exemption credit. You are considered to have a severe disability if any of the following apply:

- You permanently lost the use of one or both feet.
- You permanently lost the use of both hands.
- You have a permanent condition that, without special equipment or help, limits your ability:
 - To earn a living, or
 - To maintain a household, or
 - To transport yourself.

Special equipment doesn't include such items as glasses, ordinary crutches, hearing aids, or contact lenses.

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 allows you to do other kinds of work without special equipment.

If you have a permanent severe disability, your physician must write a letter describing your disability. Keep the letter with your tax records.

Check the "Severely disabled" exemption box. If your spouse qualifies, he or she may also claim this exemption. You and your spouse may also qualify for the credit for the loss of use of limbs. See instructions on page 10.

6c. Dependents. Enter the number of your children claimed as dependents and other dependents in box 6c. Fill in the first names of your children and other dependents. In most cases, you must claim the same number of dependents as claimed on your federal return.

6d. Disabled child. You may have an additional exemption for your dependent child with a disability. To qualify, your child must meet **all** of the following:

- Qualify as your dependent.
- Be age 17 or younger on December 31, 1997.
- Be eligible for "early intervention services" or diagnosed with a disability for special education purposes. **Learning disabilities alone don't qualify for this exemption.**
- Your child must have a health-related disability requiring special education as defined by the Oregon Department of Education. This includes:
 - Autism.
 - Visual impairment.
 - Mental retardation.
 - Serious emotional disturbance.
 - Traumatic brain injury.
 - Hearing impairment.
 - Orthopedic impairment.
 - Multiple disabilities.

- Your child must have been diagnosed **as of December 31, 1997**, through the child's local school district by a qualified examiner authorized by the Oregon Department of Education.

Get a statement of eligibility that confirms one of the disabilities listed above and the cover sheet from one of the following:

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

Keep the statement and cover sheet with your tax records. Write in your child's name on "Disabled children only," line 6d. Also be sure to include the child's name on line 6c for "Dependents."

7. Age 65 or older, or blind. Check the boxes on line 7 if you or your spouse were age 65 or older or were blind on December 31, 1997. Use this information to compute your standard deduction. If you or your spouse are blind, you may also qualify for an additional exemption credit. See lines 6a and 6b above.

Line instructions

The following instructions are for lines not fully explained on the form.

8. Wages. Fill in all pay for work (shown on your W-2s) plus your taxable scholarships and fellowship grants.

9. Interest and dividends.

9a. Fill in your total interest. Include:

- Any interest received or credited to your account so you could withdraw it.
- Any interest received on tax refunds.

If you have interest from the U.S. government, other than tax refund interest, file Oregon Form 40.

9b. Fill in your total dividends. If you have dividends that are nontaxable distributions, you can't use Form 40S. Use Form 40 instead.

Add lines 9a and 9b. Fill in the total on line 9.

10. Unemployment. Fill in all unemployment compensation. This is the amount on federal Form 1040, line 19; Form 1040A, line 12; Form 1040EZ, line 3; or Telefile Tax Record, line D.

12. 1997 federal tax liability.

Caution: Carefully follow the instructions below. Don't confuse your **federal tax liability** on your federal return with the **federal tax withheld** on your W-2. They are not the same.

Limit: You may deduct up to \$3,000 of your total federal income tax liability after credits. **Don't fill in less than -0- or more than \$3,000 (\$1,500 if married filing separately).**

Fill in your federal tax liability from:

- Form 1040EZ, line 10, or
- Form 1040A, line 25, or
- Form 1040, line 46, or
- Telefile Tax Record, line J (tax).

Is the IRS figuring your federal tax for you? Do not write an amount on line 12. Attach a copy of your federal Form 1040, 1040A, or 1040EZ. We will use that information to determine your federal tax liability. If you need help, see page 36 for numbers to call.

15. Oregon taxable income. Caution: Is the amount more than \$50,000? If so, you must use Form 40.

18. Earned income credit. You are allowed an Oregon earned income credit **only** if you qualify for and claim the earned income credit on your federal return.

Use the following formula to compute your credit:

1. Enter your federal earned income credit (1040EZ, line 8a; 1040A, line 29c; 1040, line 56a; or Telefile, line K). _____
2. Multiply line 1 by 5 percent (.05). _____
Enter the result here and on line 18 of your Oregon Form 40S.

The Oregon earned income credit is limited to your tax liability. You cannot carryover any amount that exceeds your tax liability.

19. Working family credit. This credit is available to persons with qualifying child care expenses and income that is less than 200 percent of the federal poverty level.

General limits

You don't qualify for this credit if:

- Your expenses are for a dependent over age 12 (unless they qualify as a disabled child, see page 8),
- Care is provided by the child's parent or guardian (unless provided in a licensed child care facility),
- Care is provided by a brother or sister under age 19,
- You have earned income of \$6,000 or less,
- You have more than \$2,200 of investment income (investment income is generally interest, dividends, and capital gains), or,
- You are married filing separately (unless legally separated or living apart on 12/31/97).

Use the following worksheet to figure your credit:

Household size

1. Enter the number of exemptions reported on your federal return. _____
2. Add any dependents you have custody of but can not claim their exemptions on your return. _____
3. Line 1 plus line 2. This is your household size. _____

Credit amount

4. Enter your federal adjusted gross income (Form 1040A, line 16 or Form 1040, line 32). _____
5. Enter the decimal amount from the correct table on page 30. The tables are based on household size (line 3 from above). For example, if the amount on line 3 is 7, use Table 7. _____
6. Enter your total child care expenses for 1997. _____
7. Multiply line 5 by line 6. Enter the result here and on Form 40S, line 19. _____

For example, a married couple with one qualifying child had a federal adjusted gross income of \$21,436 and total child care expenses of \$2,650 in 1997. With a household size of three, they use Table 3 to find the correct decimal (.32) and multiply it by \$2,650 to figure their credit of \$848.

The working family credit is limited to your tax liability. You cannot carryover any amount that exceeds your tax liability. This credit may be claimed in addition to the child and dependent care credit.

20. Child and dependent care credit. You are allowed an Oregon credit **only** if you qualify for the federal child and dependent care credit. You may still be able to claim the Oregon credit even if you can't use all of your federal credit.

Use the following worksheet:

1. Enter the amount from federal Form 2441, line 6, or Form 1040A, Schedule 2, line 6. 1. _____
2. Enter the decimal amount from the following table. 2. \times _____

If your federal taxable income from Form 1040, line 38, or Form 1040A, line 22 is:

Your decimal amount is:

Over—	But not over—	
—	\$ 5,000	.30
\$ 5,000	10,000	.15
10,000	15,000	.08
15,000	25,000	.06
25,000	35,000	.05
35,000	45,000	.04
45,000	—	.00

3. Multiply the child care expenses on line 1 by the decimal amount on line 2. Enter the result here. 3. _____
4. Multiply your 1996 child and dependent care expenses you included in the computation of your federal

- 1997 credit by the decimal amount that applies to your 1996 federal taxable income. Enter the result.
5. Add the amounts on lines 3 and 4. 5. _____
Enter here and on Form 40S, line 20.

Carryover. Your total 1997 child care credit can't be more than your tax liability for Oregon. Any excess credit can be carried forward over the next five years. If the excess isn't used within five years, it's lost. See instructions for line 21.

21. Other credits.

- **Political contribution credit.** Fill in your total political contributions, but not more than \$100 on a joint return or \$50 on all others. The contribution must have been made during 1997. It must have been a donation of money to any of the following: a political party; a qualified candidate (or the candidate's principal campaign committee) for federal, state, or local office to be voted on in Oregon; or a political committee organized only to support or oppose ballot measures to be voted on in Oregon.

- **Child and dependent care credit carryover from prior years.** Fill in the carryover amount on line 21. See page 33 of Form 40 instructions.

- **Credit for the elderly or the disabled.** You get an Oregon credit only if you qualify for the federal credit. The Oregon credit is 40 percent of the federal credit.

Multiply the amount on federal Schedule R, line 20, or Form 1040A, Schedule 3, line 20 by .40 (40%).

- **Credit for income tax paid to another state.** You may be eligible for this credit if you paid income tax to another state. See page 32 of Form 40 instructions to figure your credit.

- **Credit for home care of an elderly person.** See page 33 of Form 40 instructions.

- **Credit for loss of use of limbs.** If you have a permanent and complete loss of the use of two limbs, you may take a tax credit of \$50. If your spouse qualifies, he or she may also claim a \$50 credit. You can't claim this credit for a dependent.

Obtain a Disability Certification Form the first year you file for the credit. Get the form from your county public health officer. The health officer must sign the form. Keep the form with your tax records.

You also qualify for an additional exemption for severely disabled persons. See page 8.

The following credits apply to only a few people and aren't explained in this booklet. See page 36 to get more information on these credits.

- Child development.
- Rural medical practitioners, dentists, or optometrists.
- Involuntary moving of a mobile home.

24. Oregon income tax withheld. Fill in the total **Oregon** tax withheld from your wages and other income. That's the amount shown on your W-2 forms in box 18 or 1099R forms, box 10. Don't use the FICA (Social Security) amount.

Staple readable copies of your wage slips and 1099s with Oregon withholding to the lower front of your return. If you don't have a W-2 form, you must provide other proof of any tax withheld from your wages. Proof may include a final paycheck stub or a letter from your employer. We can't accept anything but W-2 forms until after February 1.

If you paid estimated tax for 1997, you **must** use Form 40.

If you have tax to pay, you may want to increase the amount your employer withholds from your wages for Oregon. If you and your spouse both work, see page 36 to order the information circular, "Oregon Income Tax Withholding: Some Special Cases."

25. Tax-to-pay. Make your check or money order payable to "**Oregon Department of Revenue**" and attach to your return on top of the W-2s. Use blue ink. Do not make your check out to "IRS" or "Internal Revenue Service." Write your Social Security number and "1997 Form 40S" on your check or money order. Don't send cash or a postdated check. **Stop here** on the form.

If you owe more than \$500, you should have made estimated tax payments. See instructions for interest on underpayment of estimated tax on page 34.

Lines 27–31. You must have a refund of \$5 or greater on line 26 to use lines 27–31. **Donations will reduce your refund.** If you don't have a refund on line 26 but you want to contribute, **mail your donations** to the addresses below.

27. Oregon Nongame Wildlife. Your donation will fund the protection of nongame wildlife and its habitat.

Oregon Department of Fish and Wildlife
Attention: Fiscal Manager
PO Box 59
Portland OR 97207

28. Child Abuse Prevention. Your donation will fund programs through the Children's Trust Fund to help prevent child abuse and neglect.

Children's Trust Fund
800 NE Oregon St., Suite 1140
Portland OR 97232

29. Alzheimer's Disease Research. Your donation goes to the Alzheimer's Research Alliance of Oregon for research on Alzheimer's disease and related disorders.

Alzheimer's Research Alliance
PO Box 10051
Portland OR 97296

30. Stop Domestic and Sexual Violence. Your donation will fund programs through the Oregon Coalition Against Domestic and Sexual Violence.

OCADSV
520 NW Davis, Suite 310
Portland OR 97209

31. AIDS/HIV Research, Education, and Services. Your donation will fund AIDS/HIV research, education, and services by the Living With HIV Fund.

The Research and Education Group
PO Box 40104
Portland OR 97240

33. Net refund. By law, the Oregon Department of Revenue cannot refund amounts less than \$5. Generally, the department cannot issue a refund when the return is filed more than three years after the due date of the return.

Remember to:

Double-check your figures, including your Social Security number. The most common mistakes are math errors and the amount claimed for the federal tax subtraction. Accuracy speeds the processing of your return.

Sign your return (both spouses must sign a joint return).

Staple readable copies of wage slips and 1099s showing Oregon withholding to the front of the return.

Use your label to speed processing of your return. If you received a label, please attach it to the return you mail to the department.

Mail your return in a stamped envelope. Use a business envelope (4 × 9½ inches) to speed processing of your return. Be sure to use enough postage.

Mail refund returns or no-tax-due returns to:

REFUND
PO Box 14700
Salem OR 97309-0930

Mail tax-to-pay returns to:

Oregon Department of Revenue
PO Box 14555
Salem OR 97309-0940

If you can't pay now, file your return anyway. The Department of Revenue will work with you to set up a payment plan on a case-by-case basis. You may send a written request for a payment plan, or see page 36 for numbers to call.

Tax tables for Form 40S and Form 40

Use column S if you are

- S** • Single
• Married filing separately

Use column J if you are

- J** • Married filing jointly
• Head of household
• Widow(er) with dependent child

If income from Form 40S line 15, or Form 40 line 29 is				If income from Form 40S line 15, or Form 40 line 29 is				If income from Form 40S line 15, or Form 40 line 29 is				If income from Form 40S line 15, or Form 40 line 29 is			
and you use column		and you use column		and you use column		and you use column		and you use column		and you use column		and you use column			
At least	But less than	S	J	At least	But less than	S	J	At least	But less than	S	J	At least	But less than	S	J
\$0 – 4,650				\$4,650 – 9,450				\$9,450 – 14,250				\$14,250 – 19,050			
0–	20	0	0	4650–	4750	284	239	9450–	9550	696	575	14250–	14350	1128	969
20–	50	2	2	4750–	4850	291	246	9550–	9650	705	582	14350–	14450	1137	978
50–	150	5	5	4850–	4950	298	253	9650–	9750	714	589	14450–	14550	1146	987
150–	250	10	10	4950–	5050	305	260	9750–	9850	723	596	14550–	14650	1155	996
250–	350	15	15	5050–	5150	312	267	9850–	9950	732	603	14650–	14750	1164	1005
350–	450	20	20	5150–	5250	319	274	9950–	10050	741	610	14750–	14850	1173	1014
450–	550	25	25	5250–	5350	326	281	10050–	10150	750	617	14850–	14950	1182	1023
550–	650	30	30	5350–	5450	333	288	10150–	10250	759	624	14950–	15050	1191	1032
650–	750	35	35	5450–	5550	340	295	10250–	10350	768	631	15050–	15150	1200	1041
750–	850	40	40	5550–	5650	347	302	10350–	10450	777	638	15150–	15250	1209	1050
850–	950	45	45	5650–	5750	354	309	10450–	10550	786	645	15250–	15350	1218	1059
950–	1050	50	50	5750–	5850	363	316	10550–	10650	795	652	15350–	15450	1227	1068
1050–	1150	55	55	5850–	5950	372	323	10650–	10750	804	659	15450–	15550	1236	1077
1150–	1250	60	60	5950–	6050	381	330	10750–	10850	813	666	15550–	15650	1245	1086
1250–	1350	65	65	6050–	6150	390	337	10850–	10950	822	673	15650–	15750	1254	1095
1350–	1450	70	70	6150–	6250	399	344	10950–	11050	831	680	15750–	15850	1263	1104
1450–	1550	75	75	6250–	6350	408	351	11050–	11150	840	687	15850–	15950	1272	1113
1550–	1650	80	80	6350–	6450	417	358	11150–	11250	849	694	15950–	16050	1281	1122
1650–	1750	85	85	6450–	6550	426	365	11250–	11350	858	701	16050–	16150	1290	1131
1750–	1850	90	90	6550–	6650	435	372	11350–	11450	867	708	16150–	16250	1299	1140
1850–	1950	95	95	6650–	6750	444	379	11450–	11550	876	717	16250–	16350	1308	1149
1950–	2050	100	100	6750–	6850	453	386	11550–	11650	885	726	16350–	16450	1317	1158
2050–	2150	105	105	6850–	6950	462	393	11650–	11750	894	735	16450–	16550	1326	1167
2150–	2250	110	110	6950–	7050	471	400	11750–	11850	903	744	16550–	16650	1335	1176
2250–	2350	116	115	7050–	7150	480	407	11850–	11950	912	753	16650–	16750	1344	1185
2350–	2450	123	120	7150–	7250	489	414	11950–	12050	921	762	16750–	16850	1353	1194
2450–	2550	130	125	7250–	7350	498	421	12050–	12150	930	771	16850–	16950	1362	1203
2550–	2650	137	130	7350–	7450	507	428	12150–	12250	939	780	16950–	17050	1371	1212
2650–	2750	144	135	7450–	7550	516	435	12250–	12350	948	789	17050–	17150	1380	1221
2750–	2850	151	140	7550–	7650	525	442	12350–	12450	957	798	17150–	17250	1389	1230
2850–	2950	158	145	7650–	7750	534	449	12450–	12550	966	807	17250–	17350	1398	1239
2950–	3050	165	150	7750–	7850	543	456	12550–	12650	975	816	17350–	17450	1407	1248
3050–	3150	172	155	7850–	7950	552	463	12650–	12750	984	825	17450–	17550	1416	1257
3150–	3250	179	160	7950–	8050	561	470	12750–	12850	993	834	17550–	17650	1425	1266
3250–	3350	186	165	8050–	8150	570	477	12850–	12950	1002	843	17650–	17750	1434	1275
3350–	3450	193	170	8150–	8250	579	484	12950–	13050	1011	852	17750–	17850	1443	1284
3450–	3550	200	175	8250–	8350	588	491	13050–	13150	1020	861	17850–	17950	1452	1293
3550–	3650	207	180	8350–	8450	597	498	13150–	13250	1029	870	17950–	18050	1461	1302
3650–	3750	214	185	8450–	8550	606	505	13250–	13350	1038	879	18050–	18150	1470	1311
3750–	3850	221	190	8550–	8650	615	512	13350–	13450	1047	888	18150–	18250	1479	1320
3850–	3950	228	195	8650–	8750	624	519	13450–	13550	1056	897	18250–	18350	1488	1329
3950–	4050	235	200	8750–	8850	633	526	13550–	13650	1065	906	18350–	18450	1497	1338
4050–	4150	242	205	8850–	8950	642	533	13650–	13750	1074	915	18450–	18550	1506	1347
4150–	4250	249	210	8950–	9050	651	540	13750–	13850	1083	924	18550–	18650	1515	1356
4250–	4350	256	215	9050–	9150	660	547	13850–	13950	1092	933	18650–	18750	1524	1365
4350–	4450	263	220	9150–	9250	669	554	13950–	14050	1101	942	18750–	18850	1533	1374
4450–	4550	270	225	9250–	9350	678	561	14050–	14150	1110	951	18850–	18950	1542	1383
4550–	4650	277	232	9350–	9450	687	568	14150–	14250	1119	960	18950–	19050	1551	1392

Tax tables for Form 40S and Form 40

Use column S if you are

- S** • Single
• Married filing separately

Use column J if you are

- J** • Married filing jointly
• Head of household
• Widow(er) with dependent child

If income from Form 40S line 15, or Form 40 line 29 is				If income from Form 40S line 15, or Form 40 line 29 is				If income from Form 40S line 15, or Form 40 line 29 is				If income from Form 40S line 15, or Form 40 line 29 is			
and you use column															
At least	But less than	S	J	At least	But less than	S	J	At least	But less than	S	J	At least	But less than	S	J
\$19,050 – 23,850				\$23,850 – 28,650				\$28,650 – 33,450				\$33,450 – 38,250			
19050–	19150	1560	1401	23850–	23950	1992	1833	28650–	28750	2424	2265	33450–	33550	2856	2697
19150–	19250	1569	1410	23950–	24050	2001	1842	28750–	28850	2433	2274	33550–	33650	2865	2706
19250–	19350	1578	1419	24050–	24150	2010	1851	28850–	28950	2442	2283	33650–	33750	2874	2715
19350–	19450	1587	1428	24150–	24250	2019	1860	28950–	29050	2451	2292	33750–	33850	2883	2724
19450–	19550	1596	1437	24250–	24350	2028	1869	29050–	29150	2460	2301	33850–	33950	2892	2733
19550–	19650	1605	1446	24350–	24450	2037	1878	29150–	29250	2469	2310	33950–	34050	2901	2742
19650–	19750	1614	1455	24450–	24550	2046	1887	29250–	29350	2478	2319	34050–	34150	2910	2751
19750–	19850	1623	1464	24550–	24650	2055	1896	29350–	29450	2487	2328	34150–	34250	2919	2760
19850–	19950	1632	1473	24650–	24750	2064	1905	29450–	29550	2496	2337	34250–	34350	2928	2769
19950–	20050	1641	1482	24750–	24850	2073	1914	29550–	29650	2505	2346	34350–	34450	2937	2778
20050–	20150	1650	1491	24850–	24950	2082	1923	29650–	29750	2514	2355	34450–	34550	2946	2787
20150–	20250	1659	1500	24950–	25050	2091	1932	29750–	29850	2523	2364	34550–	34650	2955	2796
20250–	20350	1668	1509	25050–	25150	2100	1941	29850–	29950	2532	2373	34650–	34750	2964	2805
20350–	20450	1677	1518	25150–	25250	2109	1950	29950–	30050	2541	2382	34750–	34850	2973	2814
20450–	20550	1686	1527	25250–	25350	2118	1959	30050–	30150	2550	2391	34850–	34950	2982	2823
20550–	20650	1695	1536	25350–	25450	2127	1968	30150–	30250	2559	2400	34950–	35050	2991	2832
20650–	20750	1704	1545	25450–	25550	2136	1977	30250–	30350	2568	2409	35050–	35150	3000	2841
20750–	20850	1713	1554	25550–	25650	2145	1986	30350–	30450	2577	2418	35150–	35250	3009	2850
20850–	20950	1722	1563	25650–	25750	2154	1995	30450–	30550	2586	2427	35250–	35350	3018	2859
20950–	21050	1731	1572	25750–	25850	2163	2004	30550–	30650	2595	2436	35350–	35450	3027	2868
21050–	21150	1740	1581	25850–	25950	2172	2013	30650–	30750	2604	2445	35450–	35550	3036	2877
21150–	21250	1749	1590	25950–	26050	2181	2022	30750–	30850	2613	2454	35550–	35650	3045	2886
21250–	21350	1758	1599	26050–	26150	2190	2031	30850–	30950	2622	2463	35650–	35750	3054	2895
21350–	21450	1767	1608	26150–	26250	2199	2040	30950–	31050	2631	2472	35750–	35850	3063	2904
21450–	21550	1776	1617	26250–	26350	2208	2049	31050–	31150	2640	2481	35850–	35950	3072	2913
21550–	21650	1785	1626	26350–	26450	2217	2058	31150–	31250	2649	2490	35950–	36050	3081	2922
21650–	21750	1794	1635	26450–	26550	2226	2067	31250–	31350	2658	2499	36050–	36150	3090	2931
21750–	21850	1803	1644	26550–	26650	2235	2076	31350–	31450	2667	2508	36150–	36250	3099	2940
21850–	21950	1812	1653	26650–	26750	2244	2085	31450–	31550	2676	2517	36250–	36350	3108	2949
21950–	22050	1821	1662	26750–	26850	2253	2094	31550–	31650	2685	2526	36350–	36450	3117	2958
22050–	22150	1830	1671	26850–	26950	2262	2103	31650–	31750	2694	2535	36450–	36550	3126	2967
22150–	22250	1839	1680	26950–	27050	2271	2112	31750–	31850	2703	2544	36550–	36650	3135	2976
22250–	22350	1848	1689	27050–	27150	2280	2121	31850–	31950	2712	2553	36650–	36750	3144	2985
22350–	22450	1857	1698	27150–	27250	2289	2130	31950–	32050	2721	2562	36750–	36850	3153	2994
22450–	22550	1866	1707	27250–	27350	2298	2139	32050–	32150	2730	2571	36850–	36950	3162	3003
22550–	22650	1875	1716	27350–	27450	2307	2148	32150–	32250	2739	2580	36950–	37050	3171	3012
22650–	22750	1884	1725	27450–	27550	2316	2157	32250–	32350	2748	2589	37050–	37150	3180	3021
22750–	22850	1893	1734	27550–	27650	2325	2166	32350–	32450	2757	2598	37150–	37250	3189	3030
22850–	22950	1902	1743	27650–	27750	2334	2175	32450–	32550	2766	2607	37250–	37350	3198	3039
22950–	23050	1911	1752	27750–	27850	2343	2184	32550–	32650	2775	2616	37350–	37450	3207	3048
23050–	23150	1920	1761	27850–	27950	2352	2193	32650–	32750	2784	2625	37450–	37550	3216	3057
23150–	23250	1929	1770	27950–	28050	2361	2202	32750–	32850	2793	2634	37550–	37650	3225	3066
23250–	23350	1938	1779	28050–	28150	2370	2211	32850–	32950	2802	2643	37650–	37750	3234	3075
23350–	23450	1947	1788	28150–	28250	2379	2220	32950–	33050	2811	2652	37750–	37850	3243	3084
23450–	23550	1956	1797	28250–	28350	2388	2229	33050–	33150	2820	2661	37850–	37950	3252	3093
23550–	23650	1965	1806	28350–	28450	2397	2238	33150–	33250	2829	2670	37950–	38050	3261	3102
23650–	23750	1974	1815	28450–	28550	2406	2247	33250–	33350	2838	2679	38050–	38150	3270	3111
23750–	23850	1983	1824	28550–	28650	2415	2256	33350–	33450	2847	2688	38150–	38250	3279	3120

Tax tables for Form 40S and Form 40

Use column S if you are

- S** • Single
• Married filing separately

Use column J if you are

- J** • Married filing jointly
• Head of household
• Widow(er) with dependent child

If income from Form 40S line 15, or Form 40 line 29 is				If income from Form 40S line 15, or Form 40 line 29 is				If income from Form 40S line 15, or Form 40 line 29 is				If income from Form 40S line 15, or Form 40 line 29 is			
and you use column		and you use column		and you use column		and you use column		and you use column		and you use column		and you use column		and you use column	
At least	But less than	S	J	At least	But less than	S	J	At least	But less than	S	J	At least	But less than	S	J
\$38,250 – 41,250				\$41,250 – 44,250				\$44,250 – 47,250				\$47,250 – 50,001			
38250–	38350	3288	3129	41250–	41350	3558	3399	44250–	44350	3828	3669	47250–	47350	4098	3939
38350–	38450	3297	3138	41350–	41450	3567	3408	44350–	44450	3837	3678	47350–	47450	4107	3948
38450–	38550	3306	3147	41450–	41550	3576	3417	44450–	44550	3846	3687	47450–	47550	4116	3957
38550–	38650	3315	3156	41550–	41650	3585	3426	44550–	44650	3855	3696	47550–	47650	4125	3966
38650–	38750	3324	3165	41650–	41750	3594	3435	44650–	44750	3864	3705	47650–	47750	4134	3975
38750–	38850	3333	3174	41750–	41850	3603	3444	44750–	44850	3873	3714	47750–	47850	4143	3984
38850–	38950	3342	3183	41850–	41950	3612	3453	44850–	44950	3882	3723	47850–	47950	4152	3993
38950–	39050	3351	3192	41950–	42050	3621	3462	44950–	45050	3891	3732	47950–	48050	4161	4002
39050–	39150	3360	3201	42050–	42150	3630	3471	45050–	45150	3900	3741	48050–	48150	4170	4011
39150–	39250	3369	3210	42150–	42250	3639	3480	45150–	45250	3909	3750	48150–	48250	4179	4020
39250–	39350	3378	3219	42250–	42350	3648	3489	45250–	45350	3918	3759	48250–	48350	4188	4029
39350–	39450	3387	3228	42350–	42450	3657	3498	45350–	45450	3927	3768	48350–	48450	4197	4038
39450–	39550	3396	3237	42450–	42550	3666	3507	45450–	45550	3936	3777	48450–	48550	4206	4047
39550–	39650	3405	3246	42550–	42650	3675	3516	45550–	45650	3945	3786	48550–	48650	4215	4056
39650–	39750	3414	3255	42650–	42750	3684	3525	45650–	45750	3954	3795	48650–	48750	4224	4065
39750–	39850	3423	3264	42750–	42850	3693	3534	45750–	45850	3963	3804	48750–	48850	4233	4074
39850–	39950	3432	3273	42850–	42950	3702	3543	45850–	45950	3972	3813	48850–	48950	4242	4083
39950–	40050	3441	3282	42950–	43050	3711	3552	45950–	46050	3981	3822	48950–	49050	4251	4092
40050–	40150	3450	3291	43050–	43150	3720	3561	46050–	46150	3990	3831	49050–	49150	4260	4101
40150–	40250	3459	3300	43150–	43250	3729	3570	46150–	46250	3999	3840	49150–	49250	4269	4110
40250–	40350	3468	3309	43250–	43350	3738	3579	46250–	46350	4008	3849	49250–	49350	4278	4119
40350–	40450	3477	3318	43350–	43450	3747	3588	46350–	46450	4017	3858	49350–	49450	4287	4128
40450–	40550	3486	3327	43450–	43550	3756	3597	46450–	46550	4026	3867	49450–	49550	4296	4137
40550–	40650	3495	3336	43550–	43650	3765	3606	46550–	46650	4035	3876	49550–	49650	4305	4146
40650–	40750	3504	3345	43650–	43750	3774	3615	46650–	46750	4044	3885	49650–	49750	4314	4155
40750–	40850	3513	3354	43750–	43850	3783	3624	46750–	46850	4053	3894	49750–	49850	4323	4164
40850–	40950	3522	3363	43850–	43950	3792	3633	46850–	46950	4062	3903	49850–	49950	4332	4173
40950–	41050	3531	3372	43950–	44050	3801	3642	46950–	47050	4071	3912	49950–	50001	4341	4182
41050–	41150	3540	3381	44050–	44150	3810	3651	47050–	47150	4080	3921				
41150–	41250	3549	3390	44150–	44250	3819	3660	47150–	47250	4089	3930				

If your taxable income from Form 40, line 29 is more than \$50,000, you must use the tax rate charts below to compute your tax liability.

TAX RATE CHARTS

Tax Rate Chart A:		Tax Rate Chart B:	
For persons filing SINGLE OR MARRIED FILING SEPARATELY		For persons filing JOINTLY, HEAD OF HOUSEHOLD or QUALIFYING WIDOW(ER) WITH DEPENDENT CHILD	
If your taxable income is:	Your tax is:	If your taxable income is:	Your tax is:
Over \$50,000	\$4,341 plus 9% of excess over \$50,000	Over \$50,000	\$4,182 plus 9% of excess over \$50,000

Form 40 instructions

Do your federal return first. Use the information from your federal return to complete your Oregon return.

You must attach a copy (front and back) of your federal 1040, 1040A, 1040EZ, or 1040PC to your Oregon tax return. Don't attach any federal schedules such as A, B, C, D, Form 2441, etc.

Keep a complete copy of your federal and state returns. Also, keep the original of all papers or receipts you used to prepare your return. Save these records for at least three years.

Fiscal year filers

Write "Fiscal Year" in the center at the top of the form. Use **blue** ink. Fill in the date your fiscal year ended.

Address section

Label. If you received a label with this tax booklet, please use it on the Form 40 you mail to the department. Your return will be processed faster. Don't attach the label to your return until the return is completed. **If someone else prepares your return, ask them to use your label.**

Make sure the label is correct. If it isn't, mark through the incorrect information and make corrections on the label. If you don't have a label, print or type your name, address, and Social Security number on your return.

Social Security number. The request for your Social Security number(s) is authorized by Section 405, Title 42, of the United States Code. You must give us this information. It will be used to establish your identity for tax purposes only.

Age. Fill in your age as of December 31, 1997.

Check the boxes

Filing status

Check the box next to your filing status. Check the same filing status you checked on your federal return. If you and your spouse don't have the same residency status, you may file separate returns for Oregon even if you filed married filing jointly for federal. See page 4 for exceptions.

If you are **married filing separately**, fill in your spouse's name and Social Security number next to box number 3. Don't fill in your spouse's name or Social Security number in the heading of the return.

If you are filing as **head of household**, fill in the name of the qualifying person from your federal return by box number 4.

Exemptions

6a and 6b. Yourself and spouse. Check "Yourself" and other boxes that apply. **If you can be claimed as a dependent on someone else's return, you can't claim an exemption for yourself on your Oregon return.**

Severely disabled. Did you have a severe disability at the end of 1997? If so, you may claim an additional exemption credit. You are considered to have a severe disability if any of the following apply:

- You permanently lost the use of one or both feet.
- You permanently lost the use of both hands.
- You have a permanent condition that, without special equipment or help, limits your ability:
 - To earn a living, or
 - To maintain a household, or
 - To transport yourself.

Special equipment doesn't include such items as glasses, ordinary crutches, hearing aids, or contact lenses.

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 allows you to do other kinds of work without special equipment.

If you have a permanent severe disability, your physician must write a letter describing your disability. Keep the letter with your tax records.

Check the "Severely disabled" exemption box. If your spouse qualifies, he or she may also claim this exemption. You and your spouse may also qualify for the credit for the loss of use of limbs. See instructions on page 33.

6C. Dependents. Enter the number of your children claimed as dependents and other dependents in box 6c. In most cases, you must claim the same number of dependents as claimed on your federal return.

6D. Disabled child. You may have an additional exemption for your dependent child with a disability. To qualify, your child must meet **all** of the following:

- Qualify as your dependent.
- Be age 17 or younger on December 31, 1997.
- Be eligible for "early intervention services" or diagnosed with a disability for special education purposes. **Learning disabilities alone don't qualify for this exemption.**
- Your child must have a health-related disability requiring special education as defined by the Oregon Department of Education. This includes:

- Autism.
 - Visual impairment.
 - Mental retardation.
 - Serious emotional disturbance.
 - Traumatic brain injury.
 - Hearing impairment.
 - Orthopedic impairment.
 - Multiple disabilities.
- Your child must have been diagnosed **as of December 31, 1997**, through the child's local school district, by a qualified examiner authorized by the Oregon Department of Education.

Get a statement of eligibility which confirms one of the disabilities listed above and the cover sheet from one of the following:

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

Keep the statement and cover sheet with your tax records. Write in your child's name on "Disabled children only," line 6d. Also be sure to include the child as a dependent in the total for line 6c.

7. Age 65 or older, or blind. Check the boxes on line 7 if you or your spouse were age 65 or older or were blind on December 31, 1997. Use this information to compute your standard deduction. If you or your spouse are blind, you may also qualify for an additional exemption credit. See lines 6a and 6b on page 24.

Line instructions

The following instructions are for lines not fully explained on the form.

Additions

Additions increase your federal adjusted gross income.

9. Interest and dividends on government bonds of other states. You must add to Oregon income any interest and dividends you received from state and local governments **other than** Oregon. Generally, you don't pay federal tax on this interest, but you do pay Oregon tax. **Example:** Include interest from State of Washington bonds or from San Francisco city bonds. Leave out interest from Oregon government bonds and interest from U.S. territories or possessions (such as Guam, Puerto Rico, and the Virgin Islands).

10. Other additions. Identify the additions you are reporting in the space on the form.

- **Federal election on interest and dividends of a minor child.** Did you make the election to report interest or dividends of your minor child on **your** federal

return? If so, you must add the amount that is subject to the special federal tax to Oregon income. On Form 40, line 10, fill in the smaller of line 6 or 7 from federal Form 8814.

- **Federal income tax refunds.** Did you get a federal tax refund in 1997 because you filed an amended federal return for a prior year, or because you were audited? If so, you may need to include the refund on line 10. If you need help, see page 36 for numbers to call.
- **Unused business credits.** Did you claim a deduction on your federal return for unused business credits? If so, these must be added back to Oregon income.
- **Difference in depreciation for Oregon.** You may have a depreciation difference for Oregon and may need the Oregon Depreciation Schedule and instructions. See page 36 to order or for numbers to call. Is your Oregon depreciation **less** than your federal depreciation? If so, fill in the amount from line 2 of the Oregon Depreciation Schedule. If not, see instructions for Form 40, line 18.
- **Gambling losses claimed as an itemized deduction.** Did you claim Oregon gambling losses as an itemized deduction on your federal Schedule A? For Oregon purposes, gambling losses are limited to gambling winnings taxed by Oregon. If you need help, see page 36 for numbers to call.
- **Lump-sum payment from a qualified retirement plan.** Did you use the 5- or 10-year averaging method for federal purposes? If so, all or part of your lump-sum distribution must be added to income on your Oregon return. The amount of the addition is the total of your ordinary income portion and your capital gain portion. Include the capital gain portion only if you did not include it in your federal adjusted gross income. This information is on the federal Form 1099R your employer gave you. Fill in this sum on line 10. Attach a copy of federal Form 1099R to your Oregon return with your wage slips.
- **Other additions.** The following additions apply to only a few people and are not explained in this booklet. If you need help, see page 36.
 - Gain or loss on the sale of depreciable property.
 - Depletion in excess of property basis.
 - Sale of Oregon inherited farm or forest property acquired from a decedent who died before January 1, 1987.
 - Passive losses.
 - Fiduciary adjustments from Oregon estates and simple or complex trusts.
 - Previously deferred reinvested gain.

Subtractions

Subtractions reduce your federal adjusted gross income.

13. 1997 federal tax liability. Caution: Carefully follow the instructions below. Don't confuse your **federal tax liability** calculated on your federal return with the **federal tax withheld** on your W-2. They are not the same.

Limit: You may deduct up to \$3,000 of your total federal income tax liability after credits. **Don't fill in less than -0- or more than \$3,000 (\$1,500 if married filing separately).**

Fill in your federal tax liability from:

- Form 1040, line 46, or
- Form 1040A, line 25, or
- Form 1040EZ, line 10, or
- Telefile Tax Record, line J (tax).

On your federal return did you have:

- Alternative minimum tax, Form 1040, line 48?
- Tax on qualified retirement plans, Form 1040, line 50?

If so, include these in your federal tax subtraction.

Caution: Don't add:

- Self-employment tax, Form 1040, line 47.
- Social Security and Medicare tax on tips, Form 1040, line 49.
- Advance earned income credit payments, Form 1040, line 51, or Form 1040A, line 26.
- Household employment taxes, Form 1040, line 52, or Form 1040A, line 27.

Did you pay additional federal tax in 1997 because you were audited or you filed an amended return?

If so, read the instructions for line 18.

Note: Your federal tax subtraction, line 13, plus your foreign tax subtraction (from "Other subtractions," line 18) can't exceed \$3,000.

14. Social Security income. Write in the amount, if any, from federal Form 1040, line 20b, or Form 1040A, line 13b. If you have Tier 2, windfall/dual-vested, or supplemental Railroad retirement benefits, read the instructions for line 18.

15. Oregon income tax refund included in federal income. Fill in your Oregon income tax refund from your federal Form 1040, line 10.

16. Interest and dividends from U.S. government. Fill in interest and dividends from the U.S. government that you included on your federal return. Include U.S. government interest and dividends you got through partnerships or grantor trusts. Examples: interest from U.S. Series EE or HH bonds, and Treasury bills or notes. You may also subtract interest and dividends paid to you by

organizations that invest in U.S. government securities. Check the information on your Form 1099. The payer may have given the percentage of interest and dividends from U.S. government securities.

U.S. government interest and dividends must be reduced by any interest expense relating to U.S. government obligations you deducted on your federal Schedule A.

When you sell or dispose of a U.S. government obligation, you must include any gain or loss in income.

17. Deferral of reinvested gain. You may defer gain on the sale of certain business assets if you reinvest proceeds in qualifying business assets within six months. Attach the form "Oregon Deferral of Reinvested Gain" to the back of your return. For more information or to get the form, see page 36.

18. Other subtractions. You may qualify for other subtractions explained below. Identify the subtraction in the space on the form.

• **Military active duty.** You may qualify for three different subtractions for U.S. military active duty pay. To be eligible for the subtractions, the active duty pay must be included in federal income.

The Oregon military active duty pay subtractions are as follows:

1. If you entered the military for the first time in 1997 or if you were discharged from military service in 1997, you can subtract all military active duty income earned **outside** Oregon.
2. You can subtract active duty pay earned **outside** Oregon from January 1 through the date the President sets as the end of combat activities in the Persian Gulf. The date was not set when this publication was printed.
3. Whether or not you are eligible for the other military subtractions, you may still subtract up to \$3,000 of active duty pay. The subtraction for each spouse receiving active duty pay is limited to \$3,000.

Reserve summer camp is active duty. However, drills and weekend meetings of reserve units aren't active duty. If you are in the guards or the reserves, and your W-2 form doesn't show a separate amount for active duty, contact your paymaster.

Note: You may qualify for more than one military active duty pay subtraction. However, your total subtraction cannot exceed your total active duty pay income.

Enter the total of your military subtractions on line 18. Label it "Military active duty pay."

Example 1. Denise enlisted in the Navy in 1993. From January 1, 1997, until August 15, 1997, she was stationed in Hawaii. From August 15 until the end of the year she served in Oregon as a recruiter. For 1997 she

earned the following active duty pay: \$10,000 in Hawaii and \$6,000 in Oregon. Combat activities have not ended in the Persian Gulf. She is eligible for the following subtractions: \$10,000 earned outside of Oregon during the time of the Persian Gulf crisis, and \$3,000 earned within the state, for a total of \$13,000.

Example 2. In 1997, Andy was stationed in Omaha, Nebraska. He spent more than 30 days in Oregon. Andy had lived in Oregon before enlisting in the Army. He earned \$25,000 for the year—\$3,200 earned after December 1. If the President declared the end of the combat activities in the Persian Gulf on December 1, his subtraction is figured as follows: Active duty pay earned outside of Oregon before Persian Gulf combat activities ended is \$21,800 (\$25,000 – \$3,200). Active duty pay earned in Oregon is limited to \$3,000 for a total subtraction of \$24,800.

Example 3. Paul is an officer in the Air Force Reserve. He earned \$3,300 from reserve summer camp and additional active duty days in Oregon. He earned \$4,200 during the year for weekend drills and meetings of his reserve unit. Since all of his active duty pay was earned in Oregon, he only qualifies for the \$3,000 subtraction. Therefore, his total subtraction is \$3,000.

Example 4. Natasha enlisted in the Army April 15 and was stationed overseas. She earned \$8,000 in 1997. She qualifies for the year-of-entry subtraction of \$8,000 and for the \$3,000 subtraction. She also qualifies for a subtraction for active duty pay earned outside of Oregon. However, her total military active duty pay subtraction cannot exceed \$8,000.

Example 5. Ryan served in a combat zone from January 1 until May 9. He filed jointly with his wife who lives in and maintains a residence in Oregon. He earned \$8,000 combat pay. He was transferred to Germany for the rest of 1997 where he earned an additional \$15,000 of active duty pay. The President did not declare an end to the combat activities in 1997. Ryan excluded his \$8,000 combat pay on his federal return, so he can't subtract it on his Oregon return. Therefore, his Oregon subtraction is limited to \$15,000, the amount earned outside of Oregon and included in federal income.

- **Federal tax from a prior year.** Did you pay additional federal tax in 1997 because you were audited or you amended a prior year's return? If so, you may be able to subtract the additional tax. This subtraction applies only to additional tax you paid because your return was changed. It doesn't include the tax from the original return or interest or penalties you paid.

To figure your subtraction for federal tax from a prior year, follow these steps:

Step 1: From \$3,000 (\$1,500 if married filing separately) subtract your federal tax, Form 40, line 13.

Step 2: On Form 40, line 18, fill in the lesser of:

- The amount you figured in step 1, or
- Additional federal tax from a prior year.

Label the line "Prior year's federal tax" and list the year(s) involved.

- **Difference in depreciation for Oregon.** You may have a depreciation difference for Oregon and may need the Oregon Depreciation Schedule and instructions. See page 36 to order or for numbers to call. Is your Oregon depreciation **more** than your federal depreciation? If so, fill in the amount from line 2 of the Oregon Depreciation Schedule. If not, see the instructions for Form 40, line 10.
- **Difference in home mortgage interest for Oregon.** Did you claim a mortgage interest credit on your federal return? If so, you may claim a subtraction on your Oregon return for the home mortgage interest not included in your itemized deductions reported on your federal return. You must itemize deductions for Oregon to claim this subtraction.
- **Payments from IRAs, Keoghs, 403(b), and 457 plans.** You may be able to subtract some of your payments if **all** of the following apply:
 - You contributed to an IRA, Keogh, 403(b), or 457 plan when you were a nonresident;
 - You paid tax on these contributions in your state of residence; and
 - You did not receive a tax benefit for these contributions by any other state.

If you qualify, you may subtract an amount equal to the amount of contributions that were taxed in another state. Once your subtractions equal the contributions that were previously taxed, all other payments are taxable.

- **Lottery winnings included on your federal return.** Did you include winnings from the Oregon Lottery or Powerball on your federal return? These winnings are not taxed by Oregon. Fill in the total Oregon Lottery and Powerball winnings from your federal return. Label the line, "Oregon Lottery." Do **not** subtract winnings from tribal gaming centers. Do you have Oregon Lottery losses claimed as an itemized deduction? If so, see page 25. **Note:** Some lottery winnings will be taxable in 1998. See "New information," page 3.
- **Logger's and construction worker's commuting costs.** You may claim the cost of getting to job sites more than 50 miles from your home. You must be a buckler or a faller with your own equipment and be paid on a per unit cut basis or be a member of a recognized construction trade, craft, or union.

Commuting costs are gas, oil, upkeep, and repairs. You may claim only the actual costs of commuting. Don't use the federal mileage rate. You can't claim meals or lodging. Construction workers can't claim more than

one year of commuting costs for the same job site. Keep a record of your actual costs. Be sure to label this subtraction as "Commuting costs." **Don't include** any costs you claimed as employee business expenses in your itemized deductions.

- **American Indian.** Are you an enrolled member of a federally recognized tribe? If so, you may subtract any income earned while living and working in "Indian country." Indian country means those areas set aside for the residence of tribal Indians. It includes reservation land and other land held in trust by the United States for a tribe. Label the line "American Indian" and include your tribal enrollment number on line 18.
- **Federal tax credits.** Did you claim a federal tax credit, such as a jobs credit or business credit? If so, you may have been required to reduce your federal expenses because you claimed that credit. You may also claim those unallowed expenses as a subtraction for Oregon.
- **Interest on government bonds of Oregon.** Were you required to include interest from Oregon state and local government bonds in your federal income? If so, fill in the amount included on federal Form 1040, line 8a, and label it "Interest on Oregon bonds."
- **Other subtractions.** The following subtractions apply to only a few people and are not explained in this booklet. If you need help, see page 36.
 - Foreign tax.
 - Gain or loss on the sale of depreciable property.
 - Artists who make a charitable art donation.
 - Tier 2, windfall/dual-vested, or supplemental Railroad retirement and Railroad unemployment benefits.
 - Passive losses.
 - Local private activity bond interest.
 - Fiduciary adjustments from Oregon estates and simple or complex trusts.
 - Underground storage tank pollution grant.

Deductions

You may claim either net itemized deductions or Oregon's standard deduction, whichever is larger.

- If you claim itemized deductions, fill in lines 21–25.
- If you claim the standard deduction, fill in line 26.

Note: Married persons filing separate returns must itemize deductions if their spouse itemizes. Don't claim the standard deduction if your spouse itemizes.

21. Itemized deductions. Generally, you may claim your total itemized deductions after federal limitations as shown on federal Schedule A, line 28. You may claim itemized deductions for Oregon, even if you couldn't on your federal return. **If you itemize for Oregon only,**

fill out a separate Schedule A for Oregon. Use your federal adjusted gross income to figure the Schedule A limitations. Keep the Schedule A with your tax records.

22. Special Oregon medical deduction. Were you or your spouse age 61 or older on December 31, 1997? If so, your deduction is the lesser of line 1 or line 3 from your federal Schedule A. To claim this deduction, you must itemize deductions. You can do this by filling out a Schedule A for both federal and Oregon **or** filling out one for Oregon only. (Keep your Schedule A with your tax records.)

24. State income tax claimed as an itemized deduction. Fill in the amount of Oregon income tax you claimed as an itemized deduction on federal Schedule A.

Are you claiming a credit for income taxes paid to another state? If so, include the other state's tax after credits on the mutually taxed income or the other state's tax claimed as an itemized deduction, whichever is less. See instructions for line 40, page 32.

Did you limit itemized deductions on your federal return because your adjusted gross income exceeded \$121,200 (\$60,600 if married filing separately)? If so, you may need to complete a worksheet to figure how much Oregon income tax to subtract from itemized deductions. See page 36 to order the information circular "Limit on Itemized Deductions."

26. Standard deduction. Generally, your standard deduction is based on your filing status as follows:

Single	\$1,800
Married filing jointly	3,000
Married filing separately	1,500
Head of household	2,640
Qualifying widow(er)	3,000

Caution: If you can be claimed as a dependent on another person's return, your standard deduction is limited to the **greater** of:

1. Your earned income, but no more than the maximum allowed for your filing status, as shown above, **or**
2. \$650.

This limit applies even if the other person can, but does not, claim you as a dependent on his or her return.

Also: You are allowed an **additional deduction** amount if you or your spouse are age 65 or older or blind. The additional amount is based on your filing status:

Single or head of household—	\$1,200
All others—	\$1,000

Example. Al and Amy Edwards are filing a joint return. Al is 70 years old and blind. Amy is 68. Their standard deduction is figured as follows:

Married filing jointly	\$3,000
Additional amount due to Al's age	1,000
Additional amount due to Amy's age	1,000
Additional amount due to Al's blindness	+1,000
Total standard deduction	<u>\$6,000</u>

Fill in the total standard deduction on line 26, Form 40.

27. Total deductions. Enter line 25 or line 26, **whichever is larger.**

Oregon tax

30. Oregon tax. Figure the tax on your Oregon taxable income, line 29. Use the tax tables or rate charts on pages 21–23.

Example 1. A single Oregon taxpayer has taxable income of \$19,500. The tax from the table on page 22 is \$1,596.

Example 2. A married couple has Oregon taxable income of \$69,500. They are filing jointly. They use the married filing jointly rate chart B. They figure their tax like this:

Oregon taxable income	\$69,500
Subtract	<u>-50,000</u>
	19,500
Multiply by 9%	<u>× .09</u>
	1,755
Then add	<u>+ 4,182</u>
Their Oregon tax is	<u>\$ 5,937</u>

31. Interest on certain installment sales. Do you have installment sales on which you were required to pay interest on the deferred tax liability for federal purposes? If so, you must also compute interest for Oregon. The amount due for Oregon is computed the same way as federal. The current interest rate is .8333 percent per month (10 percent per year).

Credits

Credits reduce your Oregon tax.

34. Earned income credit. You are allowed an Oregon earned income credit only if you qualify for and claim the earned income credit on your federal return.

Use the following formula to compute your credit:

1. Enter your federal earned income credit (1040EZ, line 8a; 1040A, line 29c; 1040, line 56a; or Telefile, line K). _____
2. Multiply line 1 by 5 percent (.05). _____
Enter the result here and on line 34 of your Oregon return.

The Oregon earned income credit is limited to your tax liability. You cannot carry over any amount that exceeds your tax liability.

35. Working family credit. This credit is available to persons with qualifying child care expenses and income that is less than 200 percent of the federal poverty level.

General Limits

You don't qualify for this credit if:

- Your expenses are for a dependent over age 12 (unless they qualify as a disabled child, see page 8),
- Care is provided by the child's parent or guardian (unless provided in a licensed child care facility),
- Care is provided by a brother or sister under age 19,
- You have earned income of \$6,000 or less,
- You have more than \$2,200 of investment income (investment income is generally interest, dividends, and capital gains), or,
- You are married filing separately (unless legally separated or living apart on 12/31/97).

Use the following worksheet to figure your credit:

Household size

1. Enter the number of exemptions reported on your federal return. _____
2. Add any dependents you have custody of but can not claim their exemptions on your return. _____
3. Line 1 plus line 2. This is your household size. _____

Credit amount

4. Enter your federal adjusted gross income (Form 1040A, line 16 or Form 1040, line 32). _____
5. Enter the decimal amount from the correct table on page 30. The tables are based on household size (line 3 from above). For example, if the amount on line 3 is 7, use Table 7. _____
6. Enter your total child care expenses for 1997. _____
7. Multiply line 5 by line 6. Enter the result here and on Form 40, line 35. _____

For example, a married couple with one qualifying child had a federal adjusted gross income of \$21,436 and total child care expenses of \$2,650 in 1997. With a household size of three, they use Table 3 to find the correct decimal (.32) and multiply it by \$2,650 to figure their credit of \$848.

The working family credit is limited to your tax liability. You cannot carry over any amount that exceeds your tax liability. This credit may be claimed in addition to the child and dependent care credit.

Table 1, household size = 1

If the amount on line 4 is:		Enter this decimal amount on line 5:
at least—	but less than—	
—	\$11,850	.40
\$11,850	12,600	.36
12,600	13,400	.32
13,400	14,200	.24
14,200	15,000	.16
15,000	15,800	.08
15,800	—	.00

Table 2, household size = 2

If the amount on line 4 is:		Enter this decimal amount on line 5:
at least—	but less than—	
—	\$15,900	.40
\$15,900	17,000	.36
17,000	18,050	.32
18,050	19,100	.24
19,100	20,150	.16
20,150	21,200	.08
21,200	—	.00

Table 3, household size = 3

If the amount on line 4 is:		Enter this decimal amount on line 5:
at least—	but less than—	
—	\$20,000	.40
\$20,000	21,350	.36
21,350	22,650	.32
22,650	24,000	.24
24,000	25,350	.16
25,350	26,650	.08
26,650	—	.00

Table 4, household size = 4

If the amount on line 4 is:		Enter this decimal amount on line 5:
at least—	but less than—	
—	\$24,100	.40
\$24,100	25,700	.36
25,700	27,300	.32
27,300	28,900	.24
28,900	30,500	.16
30,500	32,100	.08
32,100	—	.00

Table 5, household size = 5

If the amount on line 4 is:		Enter this decimal amount on line 5:
at least—	but less than—	
—	\$28,150	.40
\$28,150	30,000	.36
30,000	31,900	.32
31,900	33,800	.24
33,800	35,650	.16
35,650	37,550	.08
37,550	—	.00

Table 6, household size = 6

If the amount on line 4 is:		Enter this decimal amount on line 5:
at least—	but less than—	
—	\$32,250	.40
\$32,250	34,400	.36
34,400	36,550	.32
36,550	38,700	.24
38,700	40,850	.16
40,850	43,000	.08
43,000	—	.00

Table 7, household size = 7

If the amount on line 4 is:		Enter this decimal amount on line 5:
at least—	but less than—	
—	\$36,300	.40
\$36,300	38,750	.36
38,750	41,150	.32
41,150	43,600	.24
43,600	46,000	.16
46,000	48,400	.08
48,400	—	.00

Table 8, household size = 8 or more

If the amount on line 4 is:		Enter this decimal amount on line 5:
at least—	but less than—	
—	\$40,400	.40
\$40,400	43,100	.36
43,100	45,800	.32
45,800	48,450	.24
48,450	51,150	.16
51,150	53,850	.08
53,850	—	.00

36. Retirement income credit. Were you age 61 or older on December 31, 1997, and receiving retirement income? If so, you may qualify for a credit. Retirement income includes payments included in Oregon taxable income from a:

- U.S. government pension (includes military).
- State or local government pension.
- Employee pension.
- Individual retirement plan.
- Deferred compensation plan including defined benefit, profit sharing, and 401(k).
- Employee annuity plan.

Use the worksheet below to figure your credit.

PART 1

• **General Limits**

You don't qualify for this credit if:

- The person receiving the retirement income was less than age 61 on December 31, 1997,
- Your household income is \$22,500 or more (\$45,000 or more if married filing jointly), or
- You received more than \$7,500 (\$15,000 if married filing jointly) in Social Security and/or Tier 1 Railroad retirement benefits.

PART 2

• **Determining Household Income Limits**

See "What is included in household income?" below to determine your household income.

- | | |
|---|----------|
| 1. Enter household income. | 1. _____ |
| 2. Household income base.
Enter \$15,000 (\$30,000 if married filing jointly). | 2. _____ |
| 3. Line 1 minus line 2, but not less than -0-. | 3. _____ |

PART 3

• **Determining Credit Amount**

- | | |
|---|----------|
| 1. Enter \$7,500 (\$15,000 if married filing jointly). | 1. _____ |
| 2. Enter both spouses' total Social Security and Tier 1 Railroad retirement benefits. | 2. _____ |
| 3. Line 1 minus line 2 but not less than -0-. | 3. _____ |
| 4. Enter household income limit from Part 2, line 3. | 4. _____ |
| 5. Line 3 minus line 4, but not less than -0-. | 5. _____ |
| 6. Enter Oregon taxable retirement income of the eligible individual(s). | 6. _____ |
| 7. Enter the lesser of line 5 or line 6. | 7. _____ |
| 8. Multiply line 7 by .09 (9%) and enter the result here and on Form 40, line 36. | 8. _____ |

The credit is limited to your tax liability. There is no carryover. You may claim this credit **or** the credit for the elderly or the disabled, but not both.

What is included in household income? Household income includes all income (both taxable and nontaxable) received during the year except Social Security and Tier 1 Railroad retirement benefits. Include gross income reduced by adjustments reported in your federal adjusted gross income (AGI).

What is not included in household income? State tax refunds received during the year are not included in household income. Also, pension income received that is a return of your contributions is not included. Do not include pension distributions which you "roll over" into an individual retirement account (IRA).

To determine household income, separate income (or loss) from businesses, farms, rentals or royalties, and dispositions of tangible or intangible property. Combine all income from a particular source to arrive at the net income or loss from that source. Any net loss from the source is limited to \$1,000. Net operating loss carrybacks or carryovers are not allowed. Capital loss carryovers are not allowed.

For example, you own a farm and have a \$3,000 loss. You are also a partner in a partnership whose main activity is farming. You have income from the partnership of \$1,000. Your net farm loss is \$2,000. You may claim only \$1,000 of this loss to compute your household income. Any net loss you have from any of the other sources mentioned in the previous paragraph is also limited to \$1,000 each.

If the combined total of your depreciation, depletion, and amortization deductions exceeds \$5,000, the excess must be added back into household income. You must also increase your household income by the Oregon income tax modification for depletion in excess of basis.

Example. Felipe has a business which had gross income of \$27,000 for the year. He has an \$11,000 depreciation deduction. Other business expenses are \$20,000. He reports a business loss for federal purposes of \$4,000 (\$27,000 - (\$20,000 + \$11,000)). With his depreciation deduction limited to \$5,000, the business income he includes in household income is \$2,000, figured as follows: \$27,000 - (\$20,000 + \$5,000) = \$2,000.

You also need to include items not in your federal AGI. These items include but are not limited to:

- Veteran's and military benefits.
- Gifts and grants (total amount minus \$500).
- Disability pay.
- Nontaxable dividends (other than "return of capital" dividends).
- Inheritances.
- Insurance proceeds.
- Nontaxable interest.
- Lottery winnings.

- Railroad retirement benefits (Tier 2 only).
- Scholarships.
- Strike benefits.
- Welfare benefits.

If you need more information, see page 36.

37. Child and dependent care credit. You are allowed an Oregon credit **only** if you qualify for the federal child and dependent care credit. You may still be able to claim the Oregon credit even if you can't use all of your federal credit. Use the following worksheet to figure your credit for Oregon.

1. Enter the amount from federal Form 2441, line 6, or Form 1040A, Schedule 2, line 6. 1. _____
2. Enter the decimal amount from the following table. 2. \times _____

If your federal taxable income from Form 1040, line 38, or Form 1040A, line 22 is:

Your decimal amount is:

Over—	But not over—	
—	\$ 5,000	.30
\$ 5,000	10,000	.15
10,000	15,000	.08
15,000	25,000	.06
25,000	35,000	.05
35,000	45,000	.04
45,000	—	.00

3. Multiply the child care expenses on line 1 by the decimal amount on line 2. Enter the result here. 3. _____
4. Multiply your 1996 child and dependent care expenses you included in the computation of your federal 1997 credit by the decimal amount that applies to your 1996 federal taxable income. Enter the result. 4. _____
5. Add the amounts on lines 3 and 4. Enter here and on Form 40, line 37. 5. _____

Carryover. Your total 1997 child care credit can't be more than your tax liability for Oregon. Any excess credit can be carried forward over the next five years. If the excess isn't used within five years, it's lost. See instructions for line 41.

38. Credit for the elderly or the disabled. The Oregon credit is 40 percent of the federal credit. You get an Oregon credit only if you qualify for the federal credit.

Multiply the amount on federal Schedule R, line 20, or Form 1040A, Schedule 3, line 20, by .40 (40%).

Note: You may claim this credit or the retirement income credit, line 36, but not both.

39. Political contribution credit. Fill in your total political contributions, but not more than \$100 on a joint return or \$50 on all others. The contribution must have been made during 1997. It must have been a donation of money to any of the following:

- A political party.
- A qualified candidate (or the candidate's principal campaign committee) for federal, state, or local office to be voted for in Oregon.
- A political committee organized only to support or oppose ballot measures to be voted on in Oregon.

40. Credit for income tax paid to another state. Did you pay income taxes to another state? If so, you may be able to claim this credit. You must have income that is taxed by both Oregon and the other state during 1997.

If you were a full-year Oregon resident and had income taxed by Arizona, California, Indiana, or Virginia, you may not claim the credit on your Oregon return. You may claim the credit on your nonresident return filed with the other state. If income is taxed by Oregon and another state not listed here, claim the credit on line 40 of your Oregon resident return.

This credit is only for state income tax. You can't claim this credit for city or county income tax, sales tax, property tax, school tax, or building funds.

Your credit is the **lesser** of the following:

- The other state's tax after credits.
- Your Oregon tax liability.
- The amount figured using the following formula:

$$\frac{\text{Your adjusted gross income taxed by both states}}{\text{Your modified adjusted gross income}} \times \text{Your Oregon tax after subtracting all other credits}$$

Divide your adjusted gross income (AGI) taxed by both states by your modified AGI. Multiply the result by your Oregon tax after subtracting all other credits.

If you file Form 40S, your modified AGI is line 11.

If you file Form 40, your modified AGI usually equals the sum of lines 8 and 9 minus lines 14–17. Add amounts on line 10 only if they are income that Oregon taxes but the federal government doesn't. Subtract amounts on line 18 only if they are income that the federal government taxes but Oregon doesn't.

Caution: You can't claim this credit and also claim the tax you paid as an itemized deduction. On Form 40, line 24, in addition to the Oregon tax you claim as an itemized deduction, fill in the **lesser** of the following:

- The other state's tax claimed as an itemized deduction.
- The other state's tax after credits.

Attach a copy of the other state's return and proof of payment to your Oregon return.

41. Other credits. You may be entitled to other credits listed below. Identify the credit you are claiming on line 41 in the space on the form.

- **Child and dependent care credit carryover from prior years.** Fill in the carryover amount on line 41. Label the line "Child care credit carryover." The amount of the prior year carryover plus your current year's credit can't exceed your Oregon tax liability. Any excess credit can be carried forward over the next five years. If the excess isn't used within five years, it's lost.
- **Credit for loss of use of limbs.** If you have a permanent and complete loss of the use of two limbs, you may take a tax credit of \$50. Your spouse may also claim a \$50 credit if he or she qualifies. You can't claim this credit for a dependent.

Obtain a Disability Certification Form the first year you file for the credit. Get the form from your county public health officer. The health officer must sign the form. Keep the form with your tax records.

You also qualify for the severely disabled exemption. See instructions on page 24.

- **Credit for alternative energy devices.** You must install solar devices or ground loop systems that provide 10 percent or more of an Oregon home's energy. See page 36 to order the information circular "Alternative Energy Devices."
- **Sewage treatment works hookup credit.** Oregon residents could claim a credit for the cost of installing or connecting to specific sewage treatment works. The connection must have been required by an order from the assistant director for health issued after January 1, 1988, and before July 1, 1995. Claim one-fifth of the expenses each year, for five years, limited to \$160 per year.
- **Credit for home care of an elderly person.** You may be eligible for this credit if your household income is less than \$17,500 and you pay expenses for the care of someone age 60 or older. The care must keep that person from being placed in a nursing home. That person's household income must be \$7,500 or less. See page 36 to order the information circular, "Home Care for the Elderly Credit" and the form, "Credit for Home Care of an Elderly Person." **The Oregon Department of Human Resources must certify that the elderly person qualifies.**
- **Other credits.** The following credits apply to only a few people and aren't explained in this booklet. See page 36 to get more information.
 - Bone marrow donation program.
 - Business energy.
 - Child development.
 - Crops donated to gleaned cooperatives.
 - Dependent care assistance.
 - Farmworker housing.
 - Fish habitat improvements.
 - Fish screening devices.

- Involuntary moving of a mobile home.
- Oregon tax on gain mutually taxed by another state or country. The gain must be from the sale of your home.
- Pollution control facilities.
- Pollution prevention credit.
- Reclaimed plastic (investment in capital assets).
- Reforestation of underproductive forest lands.
- Rural medical practitioners, dentists, or optometrists.
- Youth apprenticeship program.

Tax payments, penalties, and interest

44. Oregon income tax withheld. Fill in the total amount of Oregon tax withheld from your wages and other income. That's the amount shown on your W-2 forms in box 18 or 1099 forms, box 10. Don't use FICA (Social Security) tax withheld. Don't use tax withheld from your wages by other states. Staple **readable** copies of your W-2 or 1099 forms to the lower front of your return.

If you don't have a W-2 or 1099, you must provide other proof of any tax withheld from your wages. Proof may include a final paycheck stub or a letter from your employer. We can't accept anything but W-2 forms until after February 1.

If you have tax to pay, you may want to increase the amount your employer withholds from your wages for Oregon. If you and your spouse both work, see page 36 to order the information circular "Oregon Income Tax Withholding: Some Special Cases."

45. Estimated tax you paid for the 1997 tax year. Fill in the total estimated tax payments you made before filing your Oregon return. Include any payments you made with your extension. Also include any refund applied from your 1996 income tax return.

49. Penalty and interest.

Due date. Your return is due by April 15, 1998, unless you get an extension.

Penalty. Include a penalty payment if you:

- Mail your tax-to-pay after April 15 (even if you have an extension).
- File your income tax return showing a tax-to-pay after the due date, including any extension.

Penalty is 5 percent of the unpaid balance of your tax. If you file more than three months late, add an additional 20 percent penalty. See page 5 for how to avoid incurring a penalty.

Interest. Are you filing your return or paying your tax after April 15, 1998? If you are, include interest on any unpaid tax.

The current interest rate is .8333 percent per month (10 percent per year). A full month, for example, is April 16 to May 15.

Interest is figured daily for periods of less than a month. Here's how to figure daily interest:

$$\text{Tax} \times .000274 \times \text{number of days}$$

If the tax is not paid within 60 days of our bill, the interest rate increases to 14 percent per year.

50. Interest on underpayment of estimated tax. You have an underpayment if you paid less than 90 percent of the tax due on each estimated tax payment date.

You don't have an underpayment if you:

- Didn't need to pay estimated tax at any time for 1997, **and**
- Owe less than \$500 tax on your 1997 tax return.

The tax you owe is **net** income tax less your Oregon withholding.

If you have an underpayment or meet an exception, you **must** file Oregon Form 10, "Underpayment of Oregon Estimated Tax." See page 36 to order Form 10.

On Form 40, line 50, fill in the amount of interest due from Form 10 and check the box. **Attach Form 10** to the back of the return.

52. Amount-you-owe. Make your check or money order payable to "**Oregon Department of Revenue**" and attach to your return on top of the W-2s. Use **blue** ink. Do not make your check out to "IRS" or "Internal Revenue Service." Write your Social Security number and "1997 Form 40" on your check or money order. Don't send cash or postdated checks. **Stop here** on the form.

Special instructions. Do you owe interest and have an overpayment on line 47? If your overpayment is less than the interest due, fill in the result of line 51 minus line 47.

If you owe more than \$500, you should have made estimated tax payments. See instructions for line 50 above.

53. Refund. You must have a refund of \$5 or greater on line 53 to use lines 54-59.

54. Estimated tax. If your refund is \$5 or more, you may apply part or all of your refund, line 53, to your 1998 Oregon estimated income tax. Fill in the amount you want to apply.

55-59. Donations will reduce your refund. If you don't have a refund on line 53 but you want to contribute, **mail your donations** to the addresses below.

55. Oregon Nongame Wildlife. Your donation will fund the protection of nongame wildlife and its habitat.

Oregon Department of Fish and Wildlife
Attention: Fiscal Manager
PO Box 59
Portland OR 97207

56. Child Abuse Prevention. Your donation will fund programs through the Children's Trust Fund to help prevent child abuse and neglect.

Children's Trust Fund
800 NE Oregon St., Suite 1140
Portland OR 97232

57. Alzheimer's Disease Research. Your donation goes to the Alzheimer's Research Alliance of Oregon for research on Alzheimer's disease and related disorders.

Alzheimer's Research Alliance
PO Box 10051
Portland OR 97296

58. Stop Domestic and Sexual Violence. Your donation will fund programs through the Oregon Coalition Against Domestic and Sexual Violence.

OCADSV
520 NW Davis, Suite 310
Portland OR 97209

59. AIDS/HIV Research, Education, and Services. Your donation will fund AIDS/HIV research, education, and services by the Living With HIV Fund.

The Research and Education Group
PO Box 40104
Portland OR 97240

61. Net refund. You must reduce your refund by any amounts applied to 1998 estimated tax and donations on lines 55-59. By law, the Oregon Department of Revenue cannot refund or apply amounts less than \$5. Generally, the department cannot issue a refund when the return is filed more than three years after the due date of the return.

Remember to:

Double-check your figures, including your Social Security number. The most common mistakes are math errors and the amount claimed for the federal tax subtraction. Accuracy speeds the processing of your return.

Sign your return (both spouses must sign a joint return).

Staple readable copies of wage slips and 1099s showing Oregon withholding to the front of the return.

Use your label to speed processing your return. If you received a label, please correct as needed and attach it to the return you mail to the department.

Mail your return in a stamped envelope. Use a business envelope (4 × 9½ inches) to help speed processing of your return. Be sure to use enough postage.

Mail refund returns or no-tax-due returns to:

REFUND
PO Box 14700
Salem OR 97309-0930

Mail tax-to-pay returns to:

Oregon Department of Revenue
PO Box 14555
Salem OR 97309-0940

If you can't pay now, file your return anyway. The Department of Revenue will work with you to set up a payment plan on a case-by-case basis. You may send a written request for a payment plan, or see page 36 for numbers to call.



Notes...

Taxpayer assistance

Do you need help?

Call: Salem

(503) 378-4988

Toll-free within Oregon

1-800-356-4222

The toll-free number is only available January through April.

For touchtone phones, our telephone voice response system has recorded tax information about many of your Oregon tax questions. You can also order tax forms. This service is available 24 hours a day.

Once you're in the system, push:

- 1—For personal income tax refund information (beginning March 1).
- 2—**To order current year or amended forms.** (Some federal forms available.)
- 6—For other information.
- 0—For assistance from a representative.

Representatives are available: 7:30 A.M.–5:10 P.M. Monday–Friday, except Wednesday when the hours are 9 A.M.–5:10 P.M. Closed on holidays. From April 1–April 15, representatives are available from 7 A.M.–7 P.M., Monday–Friday.

TTY (hearing or speech impaired only). **These numbers are answered by machine only and are not for voice use.** The year-round, toll-free number within Oregon is 1-800-886-7204. In Salem, the number is (503) 945-8617.

Habla Español?

Las personas que necesitan asistencia en Español pueden dejar un mensaje. El número disponible todo el año en Salem es (503) 945-8618.

A message line is available all year for those who need assistance in Spanish. The number in Salem is (503) 945-8618.

To get forms

Income tax booklets are available at many post offices, banks, and libraries. **Or write to:** Forms, Oregon Department of Revenue, PO Box 14999, Salem OR 97309-0990. Our Internet address is: <http://www.dor.state.or.us>

The offices below provide forms and answer questions. **Don't send your return to these addresses.**

Salem*

Revenue Building
First floor, Room 135
955 Center St. NE
Salem OR 97310

Portland**

Federal Building Lobby
1220 SW Third Ave.
Portland Oregon

* 7:45 A.M.–5 P.M. Monday–Friday, except holidays.

**We'll provide walk-in help from 9 A.M.–4 P.M., Monday–Friday, except holidays, January 2–April 15 only.

Correspondence. Use the Salem address above. Include your Social Security number and a daytime telephone number. Including both will allow us to help you faster.

In compliance with the Americans with Disabilities Act (ADA), this information is available in alternative formats upon request by calling (503) 378-4988.



Printed information (free) State forms only

(Check individual boxes to order. Clip on the dotted line, then mail in the entire list with your return address. These forms and circulars are also available on the Internet.)

- | | | |
|--------------------------|--|---------------|
| <input type="checkbox"/> | Alternative Energy Devices | 150-101-641 |
| <input type="checkbox"/> | Amended Form 40X and instructions | 150-101-046 |
| <input type="checkbox"/> | Computing Interest on Tax You Owe | 150-800-691 |
| <input type="checkbox"/> | Credit for Income Tax Paid to Other States | 150-101-646 |
| <input type="checkbox"/> | Oregon Deferral of Reinvested Gain | 150-101-614 |
| <input type="checkbox"/> | Depreciation form | 150-101-025 |
| <input type="checkbox"/> | Elderly Rental Assistance booklet | 150-545-002 |
| <input type="checkbox"/> | Estimated Tax circular | 150-101-648 |
| <input type="checkbox"/> | Estimated Tax coupons and instructions | 150-101-026-2 |
| <input type="checkbox"/> | Home Care for the Elderly Credit | 150-101-653 |
| <input type="checkbox"/> | Interest and Dividends on U.S. Bonds and Notes | 150-101-615 |
| <input type="checkbox"/> | Interstate Transportation Wages | 150-101-601 |
| <input type="checkbox"/> | Limit on Itemized Deductions | 150-101-611 |
| <input type="checkbox"/> | Married Persons Filing Separate Returns | 150-101-656 |
| <input type="checkbox"/> | Military Personnel Filing Information | 150-101-657 |

- | | | |
|--------------------------|---|-------------|
| <input type="checkbox"/> | Oregon Income Tax Withholding: Some Special Cases | 150-206-643 |
| <input type="checkbox"/> | Political Contributions | 150-101-662 |
| <input type="checkbox"/> | Record Keeping Requirements | 150-101-608 |
| <input type="checkbox"/> | Retirement Income | 150-101-673 |
| <input type="checkbox"/> | Senior Citizen's Property Tax Deferral | 150-310-675 |
| <input type="checkbox"/> | What To Do if You are Audited | 150-101-607 |
| <input type="checkbox"/> | Your Rights as an Oregon Taxpayer | 150-800-406 |
| <input type="checkbox"/> | List of other printed information: Forms/Publications Request | 150-800-390 |

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

Please print

Your name _____
Address _____
City _____
State _____ ZIP _____

