



INSTRUCTIONS FOR 1995 FORM 10

Underpayment of 1995 Oregon Estimated Tax

General Information

Oregon law requires some taxpayers to pay estimated tax. Interest is charged on underpayments or late payments. There are some exceptions to the interest charge (see below).

You must file Form 10 if you meet an exception. Also, check the box on line 48, Form 40; or line 67 on either Form 40N or Form 40P to indicate that Form 10 is attached to your return.

Who should have paid estimated tax?

You should have paid estimated tax if you owe \$500 or more on your 1995 Oregon income tax return (the tax you owe is your income tax after subtracting your tax credits and your Oregon withholding),

AND

Your total income tax withheld from 1995 income was less than:

- Method 1—1995 Tax
90 percent of your 1995 net income tax. The net income tax is your Oregon tax after all credits, but before withholding or estimated tax.

OR

- Method 2—1994 Tax
100 percent of the tax shown on your 1994 Oregon income tax return (General Rule). You can't use this method if you didn't

file a 1994 Oregon return. Do not reduce your net income tax by tax withheld from your income, estimated tax payments made, or payments made with an extension request.

Caution: If you answer "yes" to all four of the following questions, you may use Method 2. However, you must substitute 110 percent of your 1994 tax.

1. Was your 1994 adjusted gross income more than \$150,000 (\$75,000 if married filing separately)?
2. Is your 1995 adjusted gross income subject to Oregon taxation at least \$40,000 more than your 1994 adjusted gross income (\$20,000 if married filing separately)?
3. Were you required to make estimated tax payments in 1994, 1993, or 1992? Or, were you charged interest by the department during those years because you were required to make estimated tax payments but didn't?
4. Is your 1994 tax less than 90 percent of your 1995 tax?

OR

- Method 3—Tax on 1995 Annualized Income
90 percent of your tax on 1995 annualized income.

File Form 10 to:

- Claim one of the exceptions to the interest charge.
- Figure the amount you underpaid.
- Figure the amount of interest due.

Instructions (Form 10, Page 1)

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

PART 1—Exceptions to paying interest

Exception 1—Farmers and commercial fishers.

If at least two-thirds (66.7%) of your 1994 or 1995 total gross income is from farming or fishing, you don't have to pay underpayment interest. But you will have to file Form 10 with your 1995 Oregon income tax return to show you meet this exception. Check the box on Form 10 and circle the year that qualifies you. Your Oregon return is not due until April 15, 1996, even if you were required to file your federal return earlier.

Gross income includes items such as wages, interest, and dividends. It also includes gross profit from rentals, royalties, businesses, farming, fishing, and the sale of property. Don't subtract expenses, except cost of goods sold, when figuring gross profit. Do subtract basis or cost to figure profit on the sale of property.

Farmers. Use the amounts on the following lines of both your 1994 and 1995 federal income tax returns to determine your gross income from farming:

- Federal Schedule F, line 11;
- Federal Schedule E, line 41;
- Federal Form 4797, line 20. (Include only gains from sales of draft, breeding, dairy, or sporting livestock.)

Fishers. Use the amounts on the following lines of both your 1994 and 1995 federal income tax returns to determine your gross income from fishing:

- Federal Schedule C, line 5;
- Federal Schedule C-EZ, line 1;
- Federal Schedule E, line 41.

Exception 2—Prior year.

You meet this exception if all of the following are true:

- Your net income tax for 1994 was -0- or you were not required to file a return for 1994.
- You were a full-year Oregon resident in 1994.
- Your tax year was a full 12 months.

1994 net income tax is your Oregon income tax after tax credits, but before withholding, estimated tax payments, or payments made with an extension.

Exception 3—Retired or disabled, and have a reasonable cause.

You meet this exception if:

- There was reasonable cause for underpaying your estimated tax,

and

- You retired at age 62 or older during 1994 or 1995, or
- You became disabled during 1994 or 1995.

Reasonable cause will be decided on a case-by-case basis. Examples: unexpected absence from the state prior to the due date of the estimated payment or reasonable reliance on incorrect facts or advice. The extent of your effort to comply with the law will be considered. Attach a statement explaining the cause to be considered for the exception. Label the statement "Form 10 Attachment" in the center at the top of the page. Use red ink.

Exception 4—Underpayment due to unusual circumstances.

No interest is due if your underpayment is due to a casualty, disaster, or other unusual circumstance. Unusual circumstances will be determined on a case-by-case basis. The extent of your effort to comply with the law will be considered. The casualty, disaster, or other unusual circumstance must make it unfair to impose interest. Some examples that may qualify: death or serious illness; or books and records destroyed by fire, flood, or other natural disaster. Attach a statement explaining the cause to be considered for the exception. Label the statement "Form 10 Attachment" in the center at the top of the page. Use red ink.

Exception 5—S corporation shareholders.

No interest is due on your underpayment attributable to S corporation income in which you are a shareholder if:

- The underpayment was attributable to S corporation income, and
 - The income is for the first year in which S corporation status is elected,
- and
- You are a nonresident for 1995, or
 - You are a full-year resident for 1995 and you were a part-year resident for 1994.

PART 2—To figure your underpayment

Line 1. Fill in your net income tax after tax credits but before withholding and estimated tax payments (line 41, Form 40; or line 60 on either Form 40N or Form 40P).

Line 3. Fill in only your Oregon income tax withheld from income. Don't include any estimated tax payments.

Line 5. Fill in your 1994 net Oregon income tax. (If you didn't file a 1994 Oregon return, you can't use Method 2 to figure underpayment of estimated tax. Leave lines 5, 6, and 7 blank. Enter the amount from line 2 onto line 8.)

Line 6. See Method 2 on page 1 to see if you must substitute 110 percent of your 1994 tax. If you answered "yes" to all the questions, enter 110 percent (1.10). If not, enter 100 percent (1.00).

Line 9. You have two options:

Option 1. Fill in one-fourth of the amount on line 8 in each column.

Did you move in or out of Oregon in 1995? If so, use the columns that correspond to the dates you lived in Oregon. Divide the amount on line 8 by the number of periods you were a resident of Oregon. Example: if you moved to Oregon on July 1, divide line 8 by two. Fill in columns C and D only.

Option 2. Annualize your income using the Annualized Income Worksheet on the back of Form 10. This method benefits those who don't receive their income evenly throughout the year and part-year residents.

Complete lines 10 through 14 of the first column before going to the next column. Example: Complete lines 10 through 14 of column A before going to column B.

Line 10. Fill in estimated tax payments and income taxes withheld from your wages, pension, etc. Withholding is considered to be paid in equal amounts on the required payment dates (usually four), unless you prove otherwise. If you worked all year, fill in one-fourth of your withholding in each column.

Line 11. Column A: Don't enter an amount here. Go to line 12.
Column B: Fill in the amount from column A, line 13.
Column C: Fill in the amount from column B, line 13.
Column D: Fill in the amount from column C, line 13.

Line 12. Column A: Enter the amount from line 10.
Columns B, C, and D: Add amounts on lines 10 and 11.

Line 15. To figure the amount of interest you owe, complete the Interest Worksheet on page 3.

Taxpayer Assistance

Voice response system

For touchtone phones, our 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. Refund information will be available beginning March 1.

Once you're in the system, push:

- 1—For refund information (beginning March 1).
- 2—To order current year or amended forms.
- 3—For specific return line information.
- 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 March 18– April 15, representatives are available from 7 A.M.–7 P.M., Monday–Friday.

Telephone numbers

Call: Salem (503) 378-4988
Toll-free within Oregon 1-800-356-4222

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

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

Habla Español? Las personas que necesitan asistencia en Español pueden llamar al número en Salem (503) 945-8618.

To get forms

Income tax booklets are available at post offices and some 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>

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

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

Salem*	Portland**
Revenue Building	Federal Building Lobby
First floor, Room 135	1220 SW Third Ave.
955 Center St. NE	Portland Oregon
Salem Oregon	

* 7:45 A.M.–5:00 P.M. Monday–Friday, except holidays.

** We'll provide walk-in help from 9 A.M.–4:00 P.M., Monday–Friday, except holidays, January 2–April 15 only.

Written correspondence. Use the address above for the Revenue Building in Salem. Include your Social Security number and a daytime telephone number. Including both will allow us to help you faster.

Instructions for Interest Worksheet

Line 3. Enter the date you paid the underpayment of estimated tax. Your payment will be applied to the oldest underpayment first. The latest date that can be entered in each column is the due date of the return, April 15, 1996.

If you paid the underpayment before the due date of the return, enter the date you made the payment. If you paid the underpayment after the due date of the return, enter April 15, 1996.

Line 4. Enter the number of full months from the payment period due date on line 1 of this worksheet to the date on line 3.

Line 5. Enter the number of remaining days left until the date you made your payment.

Example: If you didn't pay the amount that was due on April 17 until June 10, count this way:

April 18 to May 17 = 1 month (this number would be on line 4, column A)

May 18 to June 10 = 24 days (this number would be on line 5, column A)

Line 6. The interest rate is .8333 percent per month.

Line 7. The interest rate is .0274 percent per day.

Line 9. Enter this amount on Form 10, line 15.

Interest Worksheet

(Keep this worksheet for your records)

	A	B	C	D
1. Payment period—due date 1	April 17, 1995	June 15, 1995	Sept. 15, 1995	Jan. 16, 1996
2. Amount of underpayment for each period (line 14, Form 10) 2				
3. Date you paid underpayment or April 15, 1996, whichever is earlier 3				
4. Number of full months 4				
5. Number of remaining days 5				
6. Multiply line 4 × the amount on line 2 × .008333 6				
7. Multiply line 5 × the amount on line 2 × .000274 7				
8. Add lines 6 and 7 8				
9. Total interest due. Add the amounts in columns A through D on line 8. Fill in here and on Form 10, line 15 9				

Instructions For Annualized Income Worksheet (Form 10, page 2)

Note: Part-year residents—you need to start with the column that corresponds to the date you moved to Oregon.

Line 1. Enter your adjusted gross income earned or received during the dates shown at the top of each column.

Example 1: Scott received wages for the entire year of 1995. He also received a lump sum distribution of \$25,000 from his IRA on July 19, 1995. Scott would include the total amount of the distribution in column C and column D only. He would include the wages he earned during the dates shown in the corresponding column.

Example 2: Same situation as in example 1, except Scott received the lump sum distribution on April 25, 1995. In this case, he would enter the distribution in columns B, C, and D.

Line 2. Enter the amount of Oregon additions received or incurred during the dates shown at the top of each column.

Example: Carol has an Oregon addition of \$6,000 California bond interest received on September 5, 1995. Carol would enter the \$6,000 in column D. However, if she received the bond interest at \$500 a month, she would enter \$1,500 (for 3 months) in column A, \$2,500 (for 5 months) in column B, \$4,000 (for 8 months) in column C and the \$6,000 in column D (for 12 months).

Line 6. Enter the amount of Oregon subtractions received or incurred during the dates shown at the top of each column.

Line 9. Compute your federal tax subtraction on your annualized income using the Federal Tax Subtraction Worksheet below.

Line 11. Enter only the amount of your Oregon itemized deductions incurred during the dates shown at the top of each column. Your total Oregon itemized deductions are on line 25, Form 40.

Example 1: Generally, home mortgage interest is a deduction paid evenly throughout the year. Therefore, you would have 3 months of home mortgage interest in column A (January, February, and March), 5 months in column B, 8 months in column C, and all 12 months of interest in column D.

Example 2: Medical deductions claimed for medical expenses are not incurred evenly throughout the tax year. For example, Jill has a total hospital bill of \$16,216 for the entire year. After subtracting 7.5 percent (the nondeductible portion), she will deduct a total of \$15,000 on her income tax return. On April 26, 1995 she paid \$4,324, \$4,000 of which is deductible. On June 15, 1995 she paid another \$5,405, \$5,000 of which is deductible. On October 7, 1995 she paid the remaining balance of \$6,487, of which \$6,000 is deductible. Jill will enter the April \$4,000 deductible portion in column B. The April payment plus the June \$5,000 payment (totaling \$9,000) will go in column C. In column D she will enter \$15,000 (the total deductible amount of all three payments).

Line 14. If you are married filing separately, and your spouse itemizes deductions, the amount on this line is -0-. You must itemize your deductions.

Line 18. Use the tax tables or the tax rate chart from the Oregon tax booklet. Line 17 is your annualized taxable income for each column.

Line 20. Enter credit amounts that apply only to each period.

Example: Sam installed an alternative energy device on September 4. He qualifies for a credit of \$160. Sam would include \$160 in column D only.

Federal Tax Subtraction Worksheet (Line 9)	(A) Jan 1 to Mar 31	(B) Jan 1 to May 31	(C) Jan 1 to Aug 31	(D) Jan 1 to Dec 31
1. Enter the amount of your federal AGI for each period 1				
2. Annualization amounts 2	4	2.4	1.5	1
3. Multiply line 1 by line 2 3				
4. Actual federal itemized deductions for each period. If you do not itemize, skip to line 7 of this worksheet 4				
5. Annualization amounts 5	4	2.4	1.5	1
6. Multiply line 4 by line 5 6				
7. Enter the full amount of your federal standard deduction in each column 7				
8. Enter line 6 or line 7, whichever is larger 8	()	()	()	()
9. Line 3 minus line 8 9				
10. Federal exemption amount (Form 1040, line 36, or Form 1040A, line 21) 10	()	()	()	()
11. Line 9 minus line 10 11				
12. Compute the federal tax for each period using the federal tax tables 12				
13. Enter \$1,500 if you are married filing separately, or \$3,000 for any other filing status 13				
14. Enter the lesser of line 12 or line 13. Also enter this amount in each column on line 9 of the Annualized Income Worksheet 14				