

# Oregon

# 1995



Full-Year  
Resident

## Forms 40 & 40S with Instructions

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Remember! Do not attach federal schedules to your Oregon return. See page 3 for details.

Do you need help?



If you have questions or want to order forms, you can call us 24 hours a day.

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

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

Habla Español? En Salem (503) 945-8618

TTY (for nonvoice use only):  
Salem (503) 945-8617  
Toll-free within Oregon 1-800-886-7204

### 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).
- ✓ File your return electronically. See page 6 for details.

### Internet


Oregon income tax forms and instructions are now available on the Internet. Our address is: <http://www.dor.state.or.us>

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

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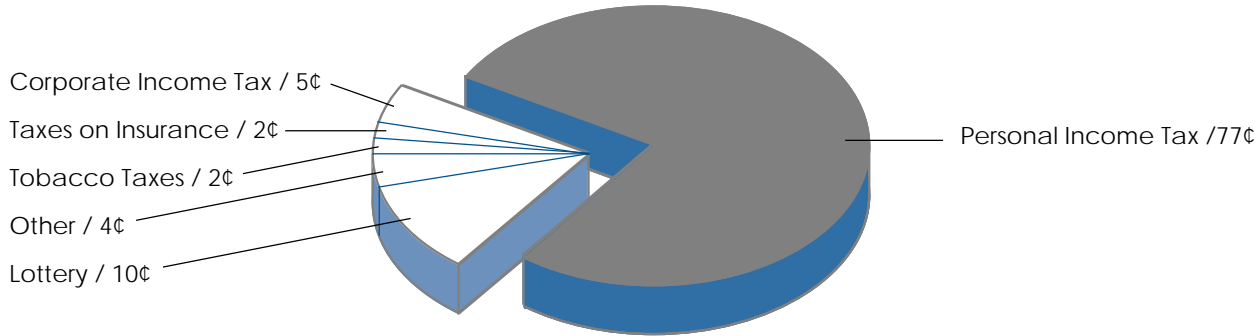
Oregon Department of Revenue  
955 Center St NE  
Salem OR 97310-2551

Please use this  
label on your  
return

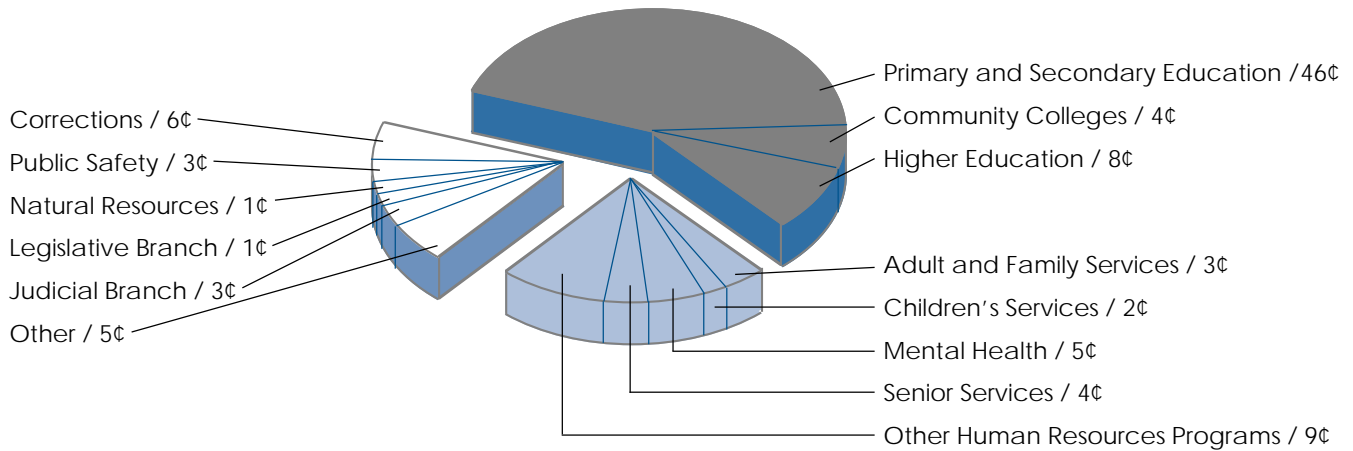


# Where Your Tax Dollar Goes

## Source of General Fund Revenues 1995–1997



## Expenditure of General Fund Revenues 1995–1997



### Do I need to file?

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	\$500
	Single	Under 65	\$4,200
		65 or older	\$5,400
	Head of household	Under 65	\$5,040
65 or older		\$6,240	
Married	Married, joint return	Under 65, (both)	\$7,800
		65 or older (one)	\$8,800
		65 or older (both)	\$9,800
	Married, separate return	Under 65	\$3,900
65 or older		\$4,900	
Qualifying widow(er)	Qualifying widow(er)	Under 65	\$7,800
		65 or older	\$8,800

In addition, file a return if:

- You are self-employed with net earnings over \$400.
- You had \$5 or more of Oregon income tax withheld from your wages.
- You are a nonresident or a part-year resident with income taxed by Oregon.

These instructions aren't a complete statement of laws and Oregon Department of Revenue rules. You may need more information or forms. See page 32.

If you have disabilities and need special accommodations, see page 32 for numbers to call and places to get help.

# New information

**Reminder.** Do not file all of your federal return with your Oregon return. File only:

- Oregon Form 40 or 40S with W-2s, 1099Rs, and all other 1099s showing Oregon tax withholding.
- Attach any payment to the top of the W-2 forms.
- Front and back of the federal form (1040, 1040A, 1040EZ, 1040PC). Form 40S filers don't need to attach this item.
- If applicable, Oregon Form 10 "Underpayment of Oregon Estimated Tax."
- If applicable, proof to claim "Credit for Income Tax Paid to Another State." See page 29.

Don't attach other federal schedules such as A, B, C, D, Form 2441, etc. We receive federal schedule information electronically. This does not affect 40S filers.

**Labels.** If you received a label on 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.

## Oregon tax law changes

Oregon difference in 1993 or 1994. Did you claim an Oregon addition or subtraction for 1993 or 1994 due to the Omnibus Budget Reconciliation Act of 1993? If so, you must amend that prior year's Oregon return. Do not show the changes on the 1995 return. If you need help, see page 32.

Oregon's retroactive reconnection to federal law includes:

- Employer-provided educational assistance deductions.
- Depreciation of nonresidential real property.
- Amortization of goodwill and related intangibles.
- Moving expenses.
- Business meals and entertainment.
- Election to expense certain tangible property (Section 179 expenses).\*

\* A one-time adjustment for depreciation differences will be allowed on your 1996 Oregon personal income tax return. If you do not want to amend your 1993 or 1994 return for depreciation differences, you may claim the difference on your 1996 Oregon tax return. This one-time adjustment does not apply to depreciation of nonresidential real property. You must amend your 1993 or 1994 return to report any difference from this source.

- Estimated taxes. Oregon has adopted the same federal requirements for making estimated tax payments. Refer to the 1995 Form 10 or 1996 estimated tax instructions. See page 32 for assistance and to order forms.

## Oregon tax information

- Active duty pay income will continue to be subtracted from Oregon income if it was earned outside Oregon from August 1, 1990, through the date the President sets as the end of combat activities in the Persian Gulf. See page 20, "Military active duty."
- Retirement income credit and special Oregon medical deduction. The minimum age requirement is 60.

Oregon law follows federal law as of April 15, 1995. For the 1995 tax year, most items are treated the same way on your Oregon and federal returns.

## Federal tax law changes

- Unused business credits. For federal purposes, unused business credits may be taken as a deduction. Oregon does not allow this deduction. This will require an Oregon "Other Addition."
- Self-employed health insurance deduction. Oregon does not require an addition or subtraction from federal income.

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# 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.

## 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 30, or Form 1040A, line 15c. 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 pages 16 and 17.
- You received pension or annuity income.
- You are in the military and claiming the subtraction for military active duty pay.
- You owe penalty or interest.

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 32.

## When should I file my return?

File as soon as possible. The filing deadline for calendar year 1995 is April 15, 1996.

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 did have a federal extension, check the "Extension Filed" box on your Oregon return when you file.
  - To avoid penalty and interest, mail any tax due by April 15, 1996. Attach payment to a separate copy of your federal extension.
  - Include the amount you paid with your extension on Form 40, line 43, 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, 1996, 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.

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.

The 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.

## 4/Choosing the correct form

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, 1996.
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.

Were you stationed in the Persian Gulf area? Did you receive additional time to file your 1995 federal return? If so, Oregon allows the same additional time to file. Write "Desert Storm" in red at the top of the form.

## 1996 estimated tax

Estimated tax is the amount of tax you expect to owe when you file your 1996 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 1996 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 32 to order the estimated tax coupons and instructions or the information circular "Estimated Tax," 150-101-648.

- Wage earners. If you expect to owe \$500 or more on your 1996 return, you need to increase the amount your employer withholds from your wages. If you and your spouse both work, see page 32 to order the information circular, "Oregon Income Tax Withholding: Some Special Cases," 150-206-643.

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 32 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 32 to order the forms.

When do I pay?

First-period estimated tax—due April 15, 1996.\*

Second-period estimated tax—due June 17, 1996.

Third-period estimated tax—due Sept. 16, 1996.

Fourth-period estimated tax—due Jan. 15, 1997.

\* Don't send your Oregon estimated tax Form 40ES and payment with your 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.

## 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. But you still are 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. File Form 40N 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 32 to order the information circular, “Married Persons Filing Separate Returns,” 150-101-656.

## Armed forces

I was in the armed forces in 1995. 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 1995.
  - Your personal residence was outside of Oregon during all of 1995.
  - You spent less than 31 days in Oregon in 1995.

File Form 40N to get a refund of Oregon tax withheld from your military wages. Form 40N is in the part-year resident and nonresident booklet. Contact the Oregon Department of Revenue to order that booklet. See page 32.

- If you don’t meet all three requirements, file Form 40 in this booklet.
- Nonresidents stationed in Oregon. Oregon won’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.

## Elderly Rental Assistance (ERA)

To qualify for an ERA refund you must be a renter who resided in Oregon on December 31, 1995, be age 58 or older on December 31, 1995, 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 32 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 a Tri-Met Self-Employment tax return. If you are self-employed and do business in Lane County, you may need to pay Lane County Transit tax. See page 32 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 about property you bought. Keep these kinds of records for at least three years after you sell the property.

For more information, see page 32 to order the information circular “Record Keeping Requirements,” 150-101-608.

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

- If you mail your return by April 1:
  - If you use your label, allow 4–6 weeks to receive your refund.
  - If you don’t use your label, allow 6–8 weeks to receive your refund.
- 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.

Exception: If there is a mistake on your return, your refund will be delayed.

What is electronic filing?

Oregon has joined 31 other states in the federal/state electronic filing program. This program allows the 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 12 and will continue through October 15.

Generally, you need to file electronically through a tax preparer or a company registered with the IRS. You can prepare your own return and pay a professional to only 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

# Form 40S

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 to the top of the W-2 form.
3. Copy 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."

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

Don't attach any federal schedules such as A, B, C, D, Form 2441, etc. We receive federal schedule information electronically from the Internal Revenue Service.

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. If you amend your federal return, usually you'll need to amend your Oregon return. See page 32 to order this form.

What if I'm audited by the Internal Revenue Service (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 on 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.

## 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 joint for federal. See pages 5 and 6 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.

Continued on page 15



# 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 16, or Form 40 line 29 is				If income from Form 40S line 16, or Form 40 line 29 is				If income from Form 40S line 16, or Form 40 line 29 is				If income from Form 40S line 16, 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	<b>S</b>	<b>J</b>	At least	But less than	<b>S</b>	<b>J</b>	At least	But less than	<b>S</b>	<b>J</b>	At least	But less than	<b>S</b>	<b>J</b>
<b>\$0 – 4,650</b>				<b>\$4,650 – 9,450</b>				<b>\$9,450 – 14,250</b>				<b>\$14,250 – 19,050</b>			
0–	20	0	0	4650–	4750	286	243	9450–	9550	704	579	14250–	14350	1136	985
20–	50	2	2	4750–	4850	293	250	9550–	9650	713	586	14350–	14450	1145	994
50–	150	5	5	4850–	4950	300	257	9650–	9750	722	593	14450–	14550	1154	1003
150–	250	10	10	4950–	5050	307	264	9750–	9850	731	600	14550–	14650	1163	1012
250–	350	15	15	5050–	5150	314	271	9850–	9950	740	607	14650–	14750	1172	1021
350–	450	20	20	5150–	5250	321	278	9950–	10050	749	614	14750–	14850	1181	1030
450–	550	25	25	5250–	5350	328	285	10050–	10150	758	621	14850–	14950	1190	1039
550–	650	30	30	5350–	5450	335	292	10150–	10250	767	628	14950–	15050	1199	1048
650–	750	35	35	5450–	5550	344	299	10250–	10350	776	635	15050–	15150	1208	1057
750–	850	40	40	5550–	5650	353	306	10350–	10450	785	642	15150–	15250	1217	1066
850–	950	45	45	5650–	5750	362	313	10450–	10550	794	649	15250–	15350	1226	1075
950–	1050	50	50	5750–	5850	371	320	10550–	10650	803	656	15350–	15450	1235	1084
1050–	1150	55	55	5850–	5950	380	327	10650–	10750	812	663	15450–	15550	1244	1093
1150–	1250	60	60	5950–	6050	389	334	10750–	10850	821	670	15550–	15650	1253	1102
1250–	1350	65	65	6050–	6150	398	341	10850–	10950	830	679	15650–	15750	1262	1111
1350–	1450	70	70	6150–	6250	407	348	10950–	11050	839	688	15750–	15850	1271	1120
1450–	1550	75	75	6250–	6350	416	355	11050–	11150	848	697	15850–	15950	1280	1129
1550–	1650	80	80	6350–	6450	425	362	11150–	11250	857	706	15950–	16050	1289	1138
1650–	1750	85	85	6450–	6550	434	369	11250–	11350	866	715	16050–	16150	1298	1147
1750–	1850	90	90	6550–	6650	443	376	11350–	11450	875	724	16150–	16250	1307	1156
1850–	1950	95	95	6650–	6750	452	383	11450–	11550	884	733	16250–	16350	1316	1165
1950–	2050	100	100	6750–	6850	461	390	11550–	11650	893	742	16350–	16450	1325	1174
2050–	2150	105	105	6850–	6950	470	397	11650–	11750	902	751	16450–	16550	1334	1183
2150–	2250	111	110	6950–	7050	479	404	11750–	11850	911	760	16550–	16650	1343	1192
2250–	2350	118	115	7050–	7150	488	411	11850–	11950	920	769	16650–	16750	1352	1201
2350–	2450	125	120	7150–	7250	497	418	11950–	12050	929	778	16750–	16850	1361	1210
2450–	2550	132	125	7250–	7350	506	425	12050–	12150	938	787	16850–	16950	1370	1219
2550–	2650	139	130	7350–	7450	515	432	12150–	12250	947	796	16950–	17050	1379	1228
2650–	2750	146	135	7450–	7550	524	439	12250–	12350	956	805	17050–	17150	1388	1237
2750–	2850	153	140	7550–	7650	533	446	12350–	12450	965	814	17150–	17250	1397	1246
2850–	2950	160	145	7650–	7750	542	453	12450–	12550	974	823	17250–	17350	1406	1255
2950–	3050	167	150	7750–	7850	551	460	12550–	12650	983	832	17350–	17450	1415	1264
3050–	3150	174	155	7850–	7950	560	467	12650–	12750	992	841	17450–	17550	1424	1273
3150–	3250	181	160	7950–	8050	569	474	12750–	12850	1001	850	17550–	17650	1433	1282
3250–	3350	188	165	8050–	8150	578	481	12850–	12950	1010	859	17650–	17750	1442	1291
3350–	3450	195	170	8150–	8250	587	488	12950–	13050	1019	868	17750–	17850	1451	1300
3450–	3550	202	175	8250–	8350	596	495	13050–	13150	1028	877	17850–	17950	1460	1309
3550–	3650	209	180	8350–	8450	605	502	13150–	13250	1037	886	17950–	18050	1469	1318
3650–	3750	216	185	8450–	8550	614	509	13250–	13350	1046	895	18050–	18150	1478	1327
3750–	3850	223	190	8550–	8650	623	516	13350–	13450	1055	904	18150–	18250	1487	1336
3850–	3950	230	195	8650–	8750	632	523	13450–	13550	1064	913	18250–	18350	1496	1345
3950–	4050	237	200	8750–	8850	641	530	13550–	13650	1073	922	18350–	18450	1505	1354
4050–	4150	244	205	8850–	8950	650	537	13650–	13750	1082	931	18450–	18550	1514	1363
4150–	4250	251	210	8950–	9050	659	544	13750–	13850	1091	940	18550–	18650	1523	1372
4250–	4350	258	215	9050–	9150	668	551	13850–	13950	1100	949	18650–	18750	1532	1381
4350–	4450	265	222	9150–	9250	677	558	13950–	14050	1109	958	18750–	18850	1541	1390
4450–	4550	272	229	9250–	9350	686	565	14050–	14150	1118	967	18850–	18950	1550	1399
4550–	4650	279	236	9350–	9450	695	572	14150–	14250	1127	976	18950–	19050	1559	1408

# 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 16, or Form 40 line 29 is <b>and you use column</b>				If income from Form 40S line 16, or Form 40 line 29 is <b>and you use column</b>				If income from Form 40S line 16, or Form 40 line 29 is <b>and you use column</b>				If income from Form 40S line 16, or Form 40 line 29 is <b>and you use column</b>			
At least	But less than	<b>S</b>	<b>J</b>	At least	But less than	<b>S</b>	<b>J</b>	At least	But less than	<b>S</b>	<b>J</b>	At least	But less than	<b>S</b>	<b>J</b>
<b>\$19,050 – 23,850</b>				<b>\$23,850 – 28,650</b>				<b>\$28,650 – 33,450</b>				<b>\$33,450 – 38,250</b>			
19050–	19150	1568	1417	23850–	23950	2000	1849	28650–	28750	2432	2281	33450–	33550	2864	2713
19150–	19250	1577	1426	23950–	24050	2009	1858	28750–	28850	2441	2290	33550–	33650	2873	2722
19250–	19350	1586	1435	24050–	24150	2018	1867	28850–	28950	2450	2299	33650–	33750	2882	2731
19350–	19450	1595	1444	24150–	24250	2027	1876	28950–	29050	2459	2308	33750–	33850	2891	2740
19450–	19550	1604	1453	24250–	24350	2036	1885	29050–	29150	2468	2317	33850–	33950	2900	2749
19550–	19650	1613	1462	24350–	24450	2045	1894	29150–	29250	2477	2326	33950–	34050	2909	2758
19650–	19750	1622	1471	24450–	24550	2054	1903	29250–	29350	2486	2335	34050–	34150	2918	2767
19750–	19850	1631	1480	24550–	24650	2063	1912	29350–	29450	2495	2344	34150–	34250	2927	2776
19850–	19950	1640	1489	24650–	24750	2072	1921	29450–	29550	2504	2353	34250–	34350	2936	2785
19950–	20050	1649	1498	24750–	24850	2081	1930	29550–	29650	2513	2362	34350–	34450	2945	2794
20050–	20150	1658	1507	24850–	24950	2090	1939	29650–	29750	2522	2371	34450–	34550	2954	2803
20150–	20250	1667	1516	24950–	25050	2099	1948	29750–	29850	2531	2380	34550–	34650	2963	2812
20250–	20350	1676	1525	25050–	25150	2108	1957	29850–	29950	2540	2389	34650–	34750	2972	2821
20350–	20450	1685	1534	25150–	25250	2117	1966	29950–	30050	2549	2398	34750–	34850	2981	2830
20450–	20550	1694	1543	25250–	25350	2126	1975	30050–	30150	2558	2407	34850–	34950	2990	2839
20550–	20650	1703	1552	25350–	25450	2135	1984	30150–	30250	2567	2416	34950–	35050	2999	2848
20650–	20750	1712	1561	25450–	25550	2144	1993	30250–	30350	2576	2425	35050–	35150	3008	2857
20750–	20850	1721	1570	25550–	25650	2153	2002	30350–	30450	2585	2434	35150–	35250	3017	2866
20850–	20950	1730	1579	25650–	25750	2162	2011	30450–	30550	2594	2443	35250–	35350	3026	2875
20950–	21050	1739	1588	25750–	25850	2171	2020	30550–	30650	2603	2452	35350–	35450	3035	2884
21050–	21150	1748	1597	25850–	25950	2180	2029	30650–	30750	2612	2461	35450–	35550	3044	2893
21150–	21250	1757	1606	25950–	26050	2189	2038	30750–	30850	2621	2470	35550–	35650	3053	2902
21250–	21350	1766	1615	26050–	26150	2198	2047	30850–	30950	2630	2479	35650–	35750	3062	2911
21350–	21450	1775	1624	26150–	26250	2207	2056	30950–	31050	2639	2488	35750–	35850	3071	2920
21450–	21550	1784	1633	26250–	26350	2216	2065	31050–	31150	2648	2497	35850–	35950	3080	2929
21550–	21650	1793	1642	26350–	26450	2225	2074	31150–	31250	2657	2506	35950–	36050	3089	2938
21650–	21750	1802	1651	26450–	26550	2234	2083	31250–	31350	2666	2515	36050–	36150	3098	2947
21750–	21850	1811	1660	26550–	26650	2243	2092	31350–	31450	2675	2524	36150–	36250	3107	2956
21850–	21950	1820	1669	26650–	26750	2252	2101	31450–	31550	2684	2533	36250–	36350	3116	2965
21950–	22050	1829	1678	26750–	26850	2261	2110	31550–	31650	2693	2542	36350–	36450	3125	2974
22050–	22150	1838	1687	26850–	26950	2270	2119	31650–	31750	2702	2551	36450–	36550	3134	2983
22150–	22250	1847	1696	26950–	27050	2279	2128	31750–	31850	2711	2560	36550–	36650	3143	2992
22250–	22350	1856	1705	27050–	27150	2288	2137	31850–	31950	2720	2569	36650–	36750	3152	3001
22350–	22450	1865	1714	27150–	27250	2297	2146	31950–	32050	2729	2578	36750–	36850	3161	3010
22450–	22550	1874	1723	27250–	27350	2306	2155	32050–	32150	2738	2587	36850–	36950	3170	3019
22550–	22650	1883	1732	27350–	27450	2315	2164	32150–	32250	2747	2596	36950–	37050	3179	3028
22650–	22750	1892	1741	27450–	27550	2324	2173	32250–	32350	2756	2605	37050–	37150	3188	3037
22750–	22850	1901	1750	27550–	27650	2333	2182	32350–	32450	2765	2614	37150–	37250	3197	3046
22850–	22950	1910	1759	27650–	27750	2342	2191	32450–	32550	2774	2623	37250–	37350	3206	3055
22950–	23050	1919	1768	27750–	27850	2351	2200	32550–	32650	2783	2632	37350–	37450	3215	3064
23050–	23150	1928	1777	27850–	27950	2360	2209	32650–	32750	2792	2641	37450–	37550	3224	3073
23150–	23250	1937	1786	27950–	28050	2369	2218	32750–	32850	2801	2650	37550–	37650	3233	3082
23250–	23350	1946	1795	28050–	28150	2378	2227	32850–	32950	2810	2659	37650–	37750	3242	3091
23350–	23450	1955	1804	28150–	28250	2387	2236	32950–	33050	2819	2668	37750–	37850	3251	3100
23450–	23550	1964	1813	28250–	28350	2396	2245	33050–	33150	2828	2677	37850–	37950	3260	3109
23550–	23650	1973	1822	28350–	28450	2405	2254	33150–	33250	2837	2686	37950–	38050	3269	3118
23650–	23750	1982	1831	28450–	28550	2414	2263	33250–	33350	2846	2695	38050–	38150	3278	3127
23750–	23850	1991	1840	28550–	28650	2423	2272	33350–	33450	2855	2704	38150–	38250	3287	3136

# 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 16, or Form 40 line 29 is				If income from Form 40S line 16, or Form 40 line 29 is				If income from Form 40S line 16, or Form 40 line 29 is				If income from Form 40S line 16, 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	<b>S</b>	<b>J</b>	At least	But less than	<b>S</b>	<b>J</b>	At least	But less than	<b>S</b>	<b>J</b>	At least	But less than	<b>S</b>	<b>J</b>
<b>\$38,250 – 41,250</b>				<b>\$41,250 – 44,250</b>				<b>\$44,250 – 47,250</b>				<b>\$47,250 – 50,001</b>			
38250–	38350	3296	3145	41250–	41350	3566	3415	44250–	44350	3836	3685	47250–	47350	4106	3955
38350–	38450	3305	3154	41350–	41450	3575	3424	44350–	44450	3845	3694	47350–	47450	4115	3964
38450–	38550	3314	3163	41450–	41550	3584	3433	44450–	44550	3854	3703	47450–	47550	4124	3973
38550–	38650	3323	3172	41550–	41650	3593	3442	44550–	44650	3863	3712	47550–	47650	4133	3982
38650–	38750	3332	3181	41650–	41750	3602	3451	44650–	44750	3872	3721	47650–	47750	4142	3991
38750–	38850	3341	3190	41750–	41850	3611	3460	44750–	44850	3881	3730	47750–	47850	4151	4000
38850–	38950	3350	3199	41850–	41950	3620	3469	44850–	44950	3890	3739	47850–	47950	4160	4009
38950–	39050	3359	3208	41950–	42050	3629	3478	44950–	45050	3899	3748	47950–	48050	4169	4018
39050–	39150	3368	3217	42050–	42150	3638	3487	45050–	45150	3908	3757	48050–	48150	4178	4027
39150–	39250	3377	3226	42150–	42250	3647	3496	45150–	45250	3917	3766	48150–	48250	4187	4036
39250–	39350	3386	3235	42250–	42350	3656	3505	45250–	45350	3926	3775	48250–	48350	4196	4045
39350–	39450	3395	3244	42350–	42450	3665	3514	45350–	45450	3935	3784	48350–	48450	4205	4054
39450–	39550	3404	3253	42450–	42550	3674	3523	45450–	45550	3944	3793	48450–	48550	4214	4063
39550–	39650	3413	3262	42550–	42650	3683	3532	45550–	45650	3953	3802	48550–	48650	4223	4072
39650–	39750	3422	3271	42650–	42750	3692	3541	45650–	45750	3962	3811	48650–	48750	4232	4081
39750–	39850	3431	3280	42750–	42850	3701	3550	45750–	45850	3971	3820	48750–	48850	4241	4090
39850–	39950	3440	3289	42850–	42950	3710	3559	45850–	45950	3980	3829	48850–	48950	4250	4099
39950–	40050	3449	3298	42950–	43050	3719	3568	45950–	46050	3989	3838	48950–	49050	4259	4108
40050–	40150	3458	3307	43050–	43150	3728	3577	46050–	46150	3998	3847	49050–	49150	4268	4117
40150–	40250	3467	3316	43150–	43250	3737	3586	46150–	46250	4007	3856	49150–	49250	4277	4126
40250–	40350	3476	3325	43250–	43350	3746	3595	46250–	46350	4016	3865	49250–	49350	4286	4135
40350–	40450	3485	3334	43350–	43450	3755	3604	46350–	46450	4025	3874	49350–	49450	4295	4144
40450–	40550	3494	3343	43450–	43550	3764	3613	46450–	46550	4034	3883	49450–	49550	4304	4153
40550–	40650	3503	3352	43550–	43650	3773	3622	46550–	46650	4043	3892	49550–	49650	4313	4162
40650–	40750	3512	3361	43650–	43750	3782	3631	46650–	46750	4052	3901	49650–	49750	4322	4171
40750–	40850	3521	3370	43750–	43850	3791	3640	46750–	46850	4061	3910	49750–	49850	4331	4180
40850–	40950	3530	3379	43850–	43950	3800	3649	46850–	46950	4070	3919	49850–	49950	4340	4189
40950–	41050	3539	3388	43950–	44050	3809	3658	46950–	47050	4079	3928	49950–	50001	4349	4198
41050–	41150	3548	3397	44050–	44150	3818	3667	47050–	47150	4088	3937				
41150–	41250	3557	3406	44150–	44250	3827	3676	47150–	47250	4097	3946				

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 <b>SINGLE OR MARRIED FILING SEPARATELY</b>		For persons filing <b>JOINTLY, HEAD OF HOUSEHOLD or QUALIFYING WIDOW(ER) WITH DEPENDENT CHILD</b>	
<b>If your taxable income is:</b>	<b>Your tax is:</b>	<b>If your taxable income is:</b>	<b>Your tax is:</b>
Over \$50,000 .....	\$4,349 plus 9% of excess over \$50,000	Over \$50,000 .....	\$4,198 plus 9% of excess over \$50,000

Continued from page 11

Severely disabled. Did you have a severe disability at the end of 1995? If so, you may claim an additional exemption credit. You are considered to have a severe disability if any of the following apply:

- You lost the use of one or both feet.
- You 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.

Generally, a condition caused by the normal aging process does not qualify.

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 16.

**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 disabilities. To qualify, your child must meet all of the following:

- Qualify as your dependent.
- Be age 17 or younger on December 31, 1995.
- Be eligible for "early intervention services" or diagnosed with disabilities 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, 1995, 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. Check the same boxes you checked on your federal return. Use this information to compute your standard deduction. See page 8.

## 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. 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.

**10.** Dividends. Fill in your total dividends. If you have dividends that are nontaxable distributions, use Form 40.

**11.** Unemployment. Fill in all unemployment compensation. This is the amount on federal Form 1040, line 19, Form 1040A, line 12, or Form 1040EZ, line 3.

**13.** 1995 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.

Limit: 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 minus line 8, or
- Form 1040A, line 25 minus line 29c, or
- Form 1040, line 46 minus line 57.

Is the Internal Revenue Service (IRS) figuring your federal tax for you? Fill in as much of your Oregon Form 40S as possible. Do not write an amount on line 13. 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 32 for numbers to call.

**16.** Oregon taxable income. Caution: Is the amount on this line more than \$50,000? If so, you must use Form 40, pages 23–26.

**19.** 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 7, or Form 1040A, Schedule 2, line 7. 1. \_\_\_\_\_
2. Enter the decimal amount from the following table. 2.  $\times$  \_\_\_\_\_

If your federal taxable income from Form 1040, line 37, or Form 1040A, line 22 is:	Your decimal amount is:
Over—	But not over—
_____	\$ 5,000
\$ 5,000	10,000
10,000	15,000
15,000	25,000
25,000	35,000
35,000	45,000
45,000	_____
	.30
	.15
	.08
	.06
	.05
	.04
	.00

3. Multiply the child care expenses on line 1 by the decimal amount on line 2. Enter the result here. 3. \_\_\_\_\_
4. Multiply any child and dependent care expenses for 1994 that you paid in 1995 by the decimal amount that applies to your 1994 federal taxable income. Enter the result. 4. \_\_\_\_\_
5. Add the amounts on line 3 and 4. Enter here and on Form 40S, line 19. 5. \_\_\_\_\_

Carryover. Your total 1995 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.

**20.** 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 1995. 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.
- A political committee organized only to support or oppose ballot measures to be voted on in Oregon.

**21.** Other credits.

• Child and dependent care credit carryover from prior years. Fill in the carryover amount on line 21. 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 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%).

• 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 29 of Form 40 instructions to figure your credit.

• 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 32 to order the information circular, "Home Care for the Elderly Credit," 150-101-653, and form 150-101-024, "Credit for Home Care of an Elderly Person." The Oregon Department of Human Resources must certify that the elderly person qualifies.

• 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 15.

The following credits apply to only a few people and aren't explained in this booklet. See page 32 to get more information on these credits.

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

**24.** Oregon income tax withheld from wages. Fill in the total Oregon tax withheld from your wages. That's the amount shown on your wage slips (W-2 forms) in box 18. 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. Substitute wage slips can't be filed before February 1.

If you paid estimated tax for 1995, you must use Form 40.

If you have tax to pay, you might want to withhold additional amounts for Oregon. If you and your spouse both work, see page 32 to order the information circular, "Oregon Income Tax Withholding: Some Special Cases," 150-206-643.

**25.** Tax-to-pay. Attach a check or money order to your return on top of the W-2s. Make checks or money orders payable to "Oregon Department of Revenue." Do not make your check out to "IRS" or "Internal Revenue Service." Write your Social Security number and "1995 Form 40S" on your check. Don't send cash or postdated checks. Stop here on the form.

**26.** Refund. You must have a refund of \$5 or greater on line 26 to use lines 27-31.

**27.** Oregon Nongame Wildlife. Your donation will fund the protection of nongame wildlife and its habitat. A donation will reduce your refund.

If you don't have a refund on line 26 but you want to contribute, mail your donation to: 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. A donation will reduce your refund.

If you don't have a refund on line 26 but you want to contribute, mail your donation to: Children's Trust Fund, 800 NE Oregon St., Suite 640, 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. A donation will reduce your refund.

If you don't have a refund on line 26 but you want to contribute, mail your donation to: Alzheimer's Research Alliance, PO Box 10051, Portland OR 97210.

**30.** Stop Domestic and Sexual Violence. Your donation will fund programs through the Oregon Coalition Against Domestic and Sexual Violence. A donation will reduce your refund.

If you don't have a refund on line 26 but you want to contribute, mail your donation to: 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. A donation will reduce your refund.

If you don't have a refund on line 26 but you want to contribute, mail your donation to: The Research and Education Group, PO Box 40104, Portland OR 97240.

**33.** Net refund. 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.

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 on a joint return).

Staple readable copies of wage slips and 1099s with Oregon withholding.

Labels will speed processing 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 your return.

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.

# 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 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 red 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 income tax return 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.

## 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 joint for federal. See pages 5 and 6 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 1995? If so, you may claim an additional exemption credit. You are considered to have a severe disability if any of the following apply:

- You lost the use of one or both feet.
- You 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.

Generally, a condition caused by the normal aging process does not qualify.

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 29.

**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 disabilities. To qualify, your child must meet all of the following:

- Qualify as your dependent.
- Be age 17 or younger on December 31, 1995.
- Be eligible for "early intervention services" or diagnosed with disabilities 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, 1995, 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 an exemption 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. Check the same boxes you checked on your federal return. Use this information to compute your standard deduction. See pages 22 and 27.

## Line instructions

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

### Additions

Additions increase your federal adjusted gross income.

**9.** Interest on government bonds of other states. If you didn't include this interest in your federal income, fill in the interest you received from state and local governments other than Oregon. Generally, you don't pay federal tax on this. 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.** Federal election on interest and dividends of a minor child. Did you make the election to report the interest or dividends of your minor child on your federal return? If so, you must add the amount that is sub-

ject 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.

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

- Federal income tax refunds. Did you get a federal tax refund in 1995 because you filed an amended federal return for a prior year, or were you audited? If so, you may need to include the refund on line 11. If you need help, see page 32 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. Unused business credits taken as a federal deduction must be added back to Oregon income.
- Difference in depreciation for Oregon. Are you depreciating business property you placed in service after December 31, 1980, and before January 1, 1985? Did you claim a Section 179 expense in 1993 or 1994 that was different for Oregon than federal? Or did you have a difference in depreciation in 1993 or 1994 from depreciating nonresidential real property? If so, the depreciation deduction allowed by Oregon may be different than the amount allowed on your federal return. You will need the Oregon Depreciation Schedule and instructions. To order, write to: Forms, Oregon Department of Revenue, PO Box 14999, Salem OR 97309-0990. Or see page 32 for numbers to call. Is your Oregon depreciation less than your federal depreciation? If so, fill in the amount from line 4 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 32 for numbers to call.
- Lump-sum payment from a qualified retirement plan. If you used the 5- or 10-year averaging method for federal purposes, you may have this addition. 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 11. Attach a copy of federal Form 1099R 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 32.
  - 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.

## Subtractions

Subtractions reduce your federal adjusted gross income.

**14.** 1995 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.

Limit: 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 minus line 57, or
- Form 1040A, line 25 minus line 29c, or
- Form 1040EZ, line 10 minus line 8.

On your federal return did you have:

- Alternative minimum tax, Form 1040, line 48?
- Recapture taxes, Form 1040, line 49?
- Tax on qualified retirement plans, Form 1040, line 51?

Add these to your federal tax.

Caution: Don't add:

- Self-employment tax, Form 1040, line 47.
- Social Security and Medicare tax on tips, Form 1040, line 50.
- Advance earned income credit payments, Form 1040, line 52, or Form 1040A, line 26.
- Household employment taxes, Form 1040, line 53, or Form 1040A, line 27.

Did you pay additional federal tax in 1995 because you were audited or you filed an amended return? If so, read the instructions for line 18.

Note: Your federal tax subtraction, line 14, plus your foreign tax subtraction (from "Other subtractions," line 18) can't exceed \$3,000.

**15.** 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.

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

**17.** Interest and dividends from U.S. government. Fill in your interest and dividends from the U.S. government 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 and HH bonds, and Treasury bills and notes. You may also subtract the interest and dividends if they're paid to you by organizations that invest in 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.

**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 1995 or if you were discharged from military service in 1995, 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 1989. From January 1, 1995, until August 15, 1995, she was stationed in Hawaii. From August 15 until the end of the year she served in Oregon as a recruiter. For 1995 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 1995, 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, the 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 whether in or out of 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 1995. 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 Saudi Arabia in the 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 1995 where he earned an additional \$15,000 of active duty pay. The President did not declare an end to the combat activities in 1995. Ryan can exclude his combat pay on his federal return, so he can't subtract it on his Oregon return. Therefore, Oregon's subtraction is limited to \$15,000.

- Federal tax from a prior year. Did you pay additional federal tax in 1995 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:

1987 and after:

**Step 1:** From \$3,000 (\$1,500 if married filing separately) subtract your federal tax, Form 40, line 14.

**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 year(s) involved.

For information on 1986 and before, see page 32 for numbers to call.

- Difference in depreciation for Oregon. Are you depreciating business property you placed in service after December 31, 1980, and before January 1, 1985? Did you claim a Section 179 expense in 1993 or 1994 that was different for Oregon than federal? Or did you have a difference in depreciation in 1993 or 1994 from depreciating nonresidential real property? If so, the depreciation deduction allowed by Oregon may be different than the amount allowed on your federal return. You will need the Oregon Depreciation Schedule and instructions. To order, write to: Forms, Oregon Department of Revenue, PO Box 14999, Salem OR 97309-0990. Is your Oregon depreciation more than your federal depreciation? If so, fill in the amount from line 4 of the Oregon Depreciation Schedule. If not, see the instructions for Form 40, line 11.

- 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 use itemized deductions for Oregon to claim this subtraction.

- Payments from IRAs and Keoghs. You may be able to subtract some of your payments if all of the following apply:

- You contributed to an IRA or Keogh 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 you have Oregon Lottery losses claimed as an itemized deduction? If so, see page 19.

- 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, be paid on a per unit cut basis, and 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 claimed as employee business expenses.

- **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 targeted jobs tax credit.** Did you claim a federal targeted jobs tax credit? If so, you had wages you couldn’t deduct as business expenses. Fill in those wages on line 18. Label the line “Jobs credit.”
- **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 32.
  - Foreign tax.
  - Gain or loss on the sale of depreciable property.
  - Artists who make a charitable art donation.
  - Sale of public utility reinvestment plan stock.
  - 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.
  - Oil heat tank cleanup costs paid by the Oil Heat Commission.
  - 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 only.

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 shown on federal Schedule A, line 28. But there is an exception. If you itemize for Oregon only, fill out a separate Schedule A for Oregon. You may claim itemized deductions for Oregon,

even if you couldn’t on your federal return. Keep the Schedule A with your tax records.

**22. Special Oregon medical deduction.** Were you or your spouse age 60 or older on December 31, 1995? 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.

**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 38, page 29.

Did you limit itemized deductions on your federal return because your adjusted gross income exceeded \$114,700 (\$57,350 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 32 to order the information circular, “Limit on Itemized Deductions,” 150-101-611.

**25. Net Oregon itemized deductions.** Fill in the amount only if it is larger than your standard deduction shown below.

**26. Standard deduction.** Fill in the standard deduction only if it is larger than your net itemized deductions.

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

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

1. \$500, or
2. Your earned income. This is limited to the maximum allowed for your filing status, as shown above. This limit applies even if the other person can, but does not, claim you as a dependent on his or her return.

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

Continued on page 27

# Form 40

Continued from page 22

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	<u>1,000</u>
Total standard deduction	<u>\$6,000</u>

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

## Oregon tax

**30.** Oregon tax. Figure the tax on your Oregon taxable income, line 29. Use the tax tables or rate charts on pages 12–14.

Example 1: A single Oregon taxpayer has taxable income of \$19,500. The tax from the table on page 13 is \$1,604.

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
Tax on first \$50,000 of taxable income	\$4,198
Tax on next \$19,500 of taxable income (\$19,500 × .09):	<u>1,755</u>
Their Oregon tax	<u>\$5,953</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 was done for federal. The current interest rate is .8333 percent per month.

## Credits

Credits reduce your Oregon tax.

**34.** Retirement income credit. Were you age 60 or older on December 31, 1995, and receiving retirement income? If so, you may qualify for a credit. Retirement income includes payments included in federal 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 60 on December 31, 1995,
- 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. 2. \_\_\_\_\_  
Enter \$15,000 (\$30,000 if married filing jointly).
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 the 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 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 34. 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 also are 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. With a depreciation deduction allowed of \$5,000, the business income he reports is \$2,000. Compute 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).
- Inheritance.
- Insurance proceeds.
- Nontaxable interest.
- Lottery winnings.
- Railroad retirement benefits (Tier 2 only).
- Scholarships.
- Strike benefits.
- Welfare benefits.

If you need more information, see page 32.

**35. 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 7, or Form 1040A, Schedule 2, line 7. 1. \_\_\_\_\_
2. Enter the decimal amount from the following table. 2.  $\times$  \_\_\_\_\_

	If your federal taxable income from Form 1040, line 37, 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 any child and dependent care expenses for 1994 that you paid in 1995 by the decimal amount that applies to your 1994 federal taxable income. Enter the result. 4. \_\_\_\_\_
5. Add the amounts on lines 3 and 4. Enter here and on Form 40, line 35. 5. \_\_\_\_\_

**Carryover.** Your total 1995 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 39.

**36. 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 34, but not both.

**37. 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 1995. 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.

- A political committee organized only to support or oppose ballot measures to be voted on in Oregon.

**38.** 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.

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 the nonresident return filed with the other state. If income is taxed by Oregon and another state not listed here, claim the credit on line 38 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 12.

If you file Form 40, your modified AGI usually equals the sum of lines 8–10 minus lines 15–17. Add amounts on line 11 only if they're income that Oregon taxes but the federal government doesn't. Subtract amounts on line 18 only if they're income that the federal government taxes but Oregon doesn't.

You can't claim this credit and also claim the tax you paid as an itemized deduction. On line 24, in addition to the Oregon tax you claimed 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.

**39.** Other credits. You may be entitled to other credits listed below. Identify the credit you are claiming on line 39 in the space on the form.

- Child and dependent care credit carryover from prior years. Fill in the carryover amount on line 39. 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 ex-

cess 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 18.

- Credit for alternative energy devices. You must install solar, wind, water, or geothermal devices. These devices must provide 10 percent or more of an Oregon home's energy. See page 32 to order the information circular, "Alternative Energy Devices," 150-101-641. Note: For tax years beginning on or after January 1, 1996, only solar devices will qualify for the credit.
- Sewage treatment works hookup credit. Oregon residents can claim a credit for the cost of installing or connecting to a sewage treatment works. You may claim one-fifth of the expenses each year, for five years. The expenses are limited to \$160 per year. For hookups prior to January 1, 1992, the expenses are limited to \$150 per year.

Your credit can't be more than your tax liability. Carry forward any unused credit. Claim the excess as a credit against your Oregon tax for each of the next eight years until it is used. If the excess isn't used within eight years, it's lost. The connection must be required by an order from the Assistant Director for Health issued after January 1, 1988, and before July 1, 1995. However, if you move after you paid for the sewer hookup, you may continue to claim the credit.

You must have actually paid the costs, and own and occupy the residence.

- Credit for home care of an elderly person. See instructions on page 16.
- Other credits. The following credits apply to only a few people and aren't explained in this booklet. See page 32 to get more information.
  - Bone marrow donation program.
  - Business energy.
  - Child development.
  - Connection to a geothermal heating district.
  - Crops donated to gleaning cooperatives.
  - Dependent care assistance.
  - Farmworker housing.
  - Fish habitat improvements.
  - Fish screening devices.
  - Health insurance for small business employers.

- Health insurance for employees of small employer groups.
- 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.
- Reclaimed plastic (investment in capital assets).
- Reforestation of underproductive forest lands.
- Rural medical practitioners or rural dentists.
- Youth apprenticeship program.

## Tax payments made in 1995

**42.** Oregon income tax withheld from income. Fill in the total amount of Oregon tax withheld from your wages. That's the amount shown on your W-2 in box 18 or 1099R 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 1099R forms to the lower front of your return.

If you don't have a W-2, 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. Substitute wage slips are not accepted until after February 1.

Oregon needs a copy of your 1099 forms if you have any Oregon state tax withheld.

If you have tax to pay, you may want to withhold additional amounts for Oregon. If you and your spouse both work, see page 32 to order the information circular, "Oregon Income Tax Withholding: Some Special Cases," 150-206-643.

**43.** Estimated tax you paid for the 1995 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 1994 income tax return.

### **47.** Penalty and interest.

**Due date.** Your return is due by April 15, 1996, 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.

**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, 1996.
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.

**Interest.** Are you filing your return or paying your tax after April 15, 1996? 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.

**48.** 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 1995, and
- Owe less than \$500 tax on your 1995 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 32 to order Form 10.

Use Form 10 to:

- Figure the amount of interest you owe on the underpayment, or
- Claim exception to the payment of interest.

On Form 40, line 48, fill in the amount of interest due from Form 10 and check the box. Attach Form 10 to the back of the return.

**50.** Amount-you-owe. Attach a check or money order to your return on top of the W-2s. Make checks or money orders payable to "Oregon Department of Revenue." Do not make your check out to "IRS" or "Internal Revenue Service." Write your Social Security number and "1995 Form 40" on your check. Don't send cash or postdated checks. Stop here on the form.

**Special instructions.** Do you owe interest and have an overpayment on line 45? If your overpayment is less than the interest due, fill in the result of line 49 minus line 45.

## 30/Tax payments in 1994



**51.** Refund. You must have a refund of \$5 or greater on line 51 to use lines 52–57.

**52.** Estimated tax. You may apply part or all of your refund, line 51, to your 1996 Oregon estimated income tax. Fill in the amount you want to apply.

**53.** Oregon Nongame Wildlife. Your donation will fund the protection of nongame wildlife and its habitat. A donation will reduce your refund.

If you don't have a refund on line 51 but you want to contribute, mail your donation to: Oregon Department of Fish and Wildlife, Attention: Fiscal Manager, PO Box 59, Portland OR 97207.

**54.** Child Abuse Prevention. Your donation will fund programs through the Children's Trust Fund to help prevent child abuse and neglect. A donation will reduce your refund.

If you don't have a refund on line 51 but you want to contribute, mail your donation to: Children's Trust Fund, 800 NE Oregon St., Suite 640, Portland OR 97232.

**55.** Alzheimer's Disease Research. Your donation goes to the Alzheimer's Research Alliance of Oregon for research on Alzheimer's disease and related disorders. A donation will reduce your refund.

If you don't have a refund on line 51 but you want to contribute, mail your donation to: Alzheimer's Research Alliance, PO Box 10051, Portland OR 97210.

**56.** Stop Domestic and Sexual Violence. Your donation will fund programs through the Oregon Coalition Against Domestic and Sexual Violence. A donation will reduce your refund.

If you don't have a refund on line 51 but you want to contribute, mail your donation to: OCADSV, 520 NW Davis, Suite 310, Portland OR 97209.

**57.** AIDS/HIV Research, Education, and Services. Your donation will fund AIDS/HIV research, education,

and services by the Living With HIV Fund. A donation will reduce your refund.

If you don't have a refund on line 51 but you want to contribute, mail your donation to: The Research and Education Group, PO Box 40104, Portland OR 97240.

**59.** Net refund. You must reduce your refund by any amounts applied to 1996 estimated tax. Be sure to include the amount entered on line 52 in the total on line 58. 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.

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 on a joint return).

Staple readable copies of wage slips and 1099s with Oregon withholding.

Labels will speed processing your return. If you receive 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 help speed processing your return. Remember 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.

# Taxpayer assistance

## Voice response system

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. 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—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. until 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.

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

## Habla Español?

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

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

## 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>

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 OR 97310	

\* 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.

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.



## 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.)

- Alternative Energy Devices 150-101-641
- Computing Interest on Tax You Owe 150-800-691
- Credit for Income Tax Paid to Other States 150-101-646
- Deferral of Reinvested Gain 150-101-614
- Elderly Rental Assistance booklet 150-545-002
- Estimated Tax circular 150-101-648
- Estimated Tax coupons and instructions 150-101-026-2
- Home Care for the Elderly Credit 150-101-653
- Interest and Dividends on U.S. Bonds and Notes 150-101-615
- Interstate Transportation Wages 150-101-601
- Limit on Itemized Deductions 150-101-611
- Married Persons Filing Separate Returns 150-101-656
- Military Personnel Filing Information 150-101-657

- Oregon Income Tax Withholding:
  - Some Special Cases 150-206-643
- Political Contributions 150-101-662
- Record Keeping Requirements 150-101-608
- Retirement Income 150-101-673
- Senior Citizen's Property Tax Deferral 150-310-675
- What To Do if You are Audited 150-101-607
- Your Rights as an Oregon Taxpayer 150-800-406
- 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 \_\_\_\_\_

