

Oregon

Full-Year Resident

1996

Forms 40 & 40S with Instructions

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.

Remember!

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

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.

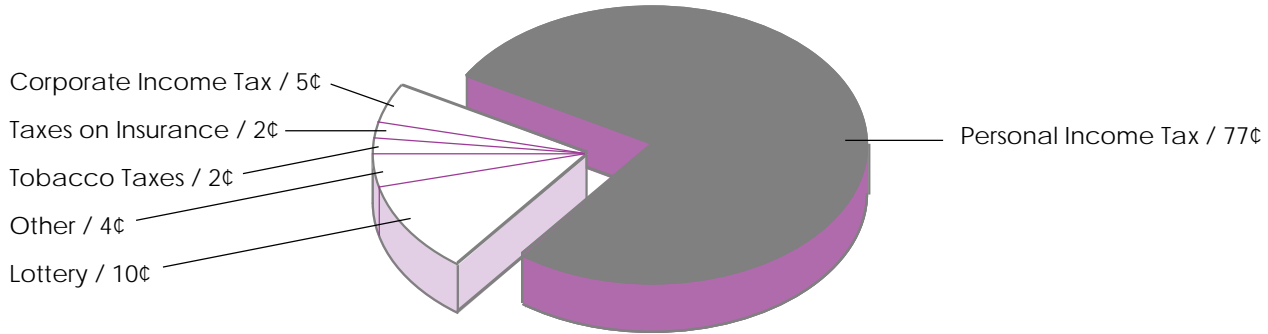
Oregon Department of Revenue
955 Center St NE
Salem OR 97310-2551

Please use this
label on your
return

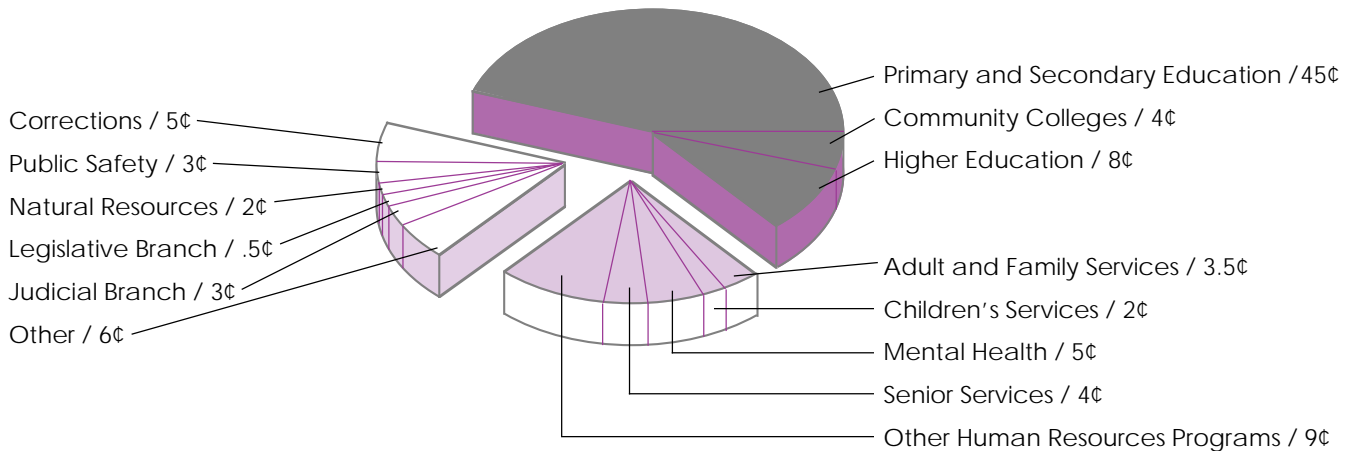


Where Your Tax Dollar Goes

Source of General Fund Revenues 1995–1997



Expenditure of General Fund Revenues 1995–1997



Do I need to file? (Amounts apply to full-year residents only.)

Marital Status	Filing Status	Age	If Gross Income is More Than:
Single (including divorced and legally separated)	Single—can be claimed on another's return	Any	\$500
	Single	Under 65	\$4,280
		65 or older	\$5,480
	Head of household	Under 65	\$5,120
65 or older		\$6,320	
Married	Married, joint return	Under 65, (both)	\$7,960
		65 or older (one)	\$8,960
		65 or older (both)	\$9,960
	Married, separate return	Under 65	\$3,980
Qualifying widow(er)	Qualifying widow(er)	Under 65	\$5,480
		65 or older	\$6,480

In addition, file a return if:

- You are required to file a federal return.
- 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 and 1099s showing Oregon tax withholding.
- Your payment, attached on 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 pages 28 and 29.
- If applicable, the form "Oregon Deferral of Reinvested Gain."

Don't attach other federal schedules such as A, B, C, D, Form 2441, etc. We receive some federal schedule information electronically. We may, however, ask you for certain information later.

Oregon law follows federal law as of April 15, 1995. Oregon does not follow federal tax law changes after that date. Differences in Oregon taxable income caused by federal laws passed after April 15, 1995, are considered Oregon "additions" or "subtractions." For the 1996 tax year, most items are treated the same way on your Oregon and federal returns.

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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.

Depreciation differences

Oregon requires a one-time adjustment in 1996 for certain depreciation differences:

- Election to expense certain tangible property (Section 179 expense). If you claimed an Oregon addition or subtraction for 1993 or 1994 due to the Omnibus Budget Reconciliation Act of 1993, you may amend your 1993 or 1994 Oregon return to increase your Oregon Section 179 expense.

If you choose not to amend your 1993 or 1994 return for these depreciation differences, you must claim the difference as part of the one-time adjustment on your 1996 Oregon return.

- Assets placed in service between 1981 and 1985 (ACRS assets). You must make a one-time adjustment to align your Oregon basis with your federal basis on your 1996 Oregon return.
- Nonresidential real property placed in service in 1993 or 1994. The 1996 one-time adjustment does not apply to depreciation of nonresidential real property. You must amend your 1993 or 1994 Oregon return to report any differences from this source.

If you need help with these items, see page 32.

Oregon tax information

- Deferral of reinvested gain. Beginning in 1996, you may defer gain on the sale of certain business assets if you reinvest proceeds in qualifying business assets within six months. You must attach a form to your Oregon return.
- 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."
- Estimated taxes. Oregon has adopted the federal requirements for making estimated tax payments. Refer to the 1996 Form 10 or 1997 estimated tax instructions. See page 32 for assistance and to order forms.
- Retirement income credit and special Oregon medical deduction. The minimum age requirement is 60.

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 page 16.
- You received pension or annuity income.
- You are in the military and are 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 1996 is April 15, 1997.

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, 1997. 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, 1997, to the date of your payment. The current interest rate is 10 percent per year. If the tax is not paid within 60 days of our bill, the interest rate increases to 14 percent per year.

Were you stationed in the Persian Gulf or another designated combat area? Did you receive additional time to file your 1996 federal return? If so, Oregon allows the same additional time to file. Write "Desert Storm" in red at the top of the form.

Penalties

You must pay a penalty if:

- You don't file your return or pay your tax by the original due date of the return (even if you have an extension). The penalty is 5 percent of your unpaid tax.

- Your return isn't filed within three months after the due date (including extensions). The penalty is 20 percent of the tax due and is in addition to the 5 percent penalty.

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

1. Get an extension of time to file your return.
2. Pay at least 90 percent of the tax due by April 15, 1997.
3. Pay the balance of tax due at the time you file within the extension period.
4. Pay the interest on the balance of tax due at the time you file your return or within 30 days of our billing date.

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

1997 estimated tax

Estimated tax is the amount of tax you expect to owe when you file your 1997 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 1997 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 1997 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, 1997.*

Second-period estimated tax—due June 16, 1997.

Third-period estimated tax—due Sept. 15, 1997.

Fourth-period estimated tax—due Jan. 15, 1998.

- * 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 1996. 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 1996.
 - Your personal residence was outside of Oregon during all of 1996.
 - You spent less than 31 days in Oregon in 1996.

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 part-year resident and nonresident booklet.

Elderly Rental Assistance (ERA)

To qualify for an ERA refund you must be a renter who resided in Oregon on December 31, 1996, be age 58 or older on December 31, 1996, 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 and investments you bought. Keep these kinds of records for at least three years after you sell the property or investment.

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.

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

What is electronic filing?

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

Electronic filing offers efficient and accurate one-stop filing for taxpayers. This service will be available January 10 and will continue through October 15.

Generally, you need to file electronically through a tax preparer or a company registered with the Internal Revenue Service (IRS). You can prepare your own return and 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 or have tax to pay. If you owe additional tax, you can file your return any time before the due date and you will have until April 15, 1997, to pay the tax.

Continued on page 11

Form 40S

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

Yes. If you move after you mail your return, let us know your new address for a faster refund. Write to: Address Change, Oregon Department of Revenue, 955 Center St. NE, Salem OR 97310-2501. Or see page 32 for numbers to call. Also, tell your post office your new address.

May I round off cents to the nearest whole dollar?

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

Is my tax return private information?

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

Should I put my return together in a special order?

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

1. Form 40 or Form 40S with Form W-2s and all 1099s showing Oregon tax withholding stapled to the lower front.
2. Attach any payment on top of the W-2 forms.

3. Copy of federal Form 1040, 1040A, 1040EZ, or 1040PC. Form 40S filers don't need to attach this item.
4. If applicable, Oregon Form 10, "Underpayment of Oregon Estimated Tax."
5. If applicable, proof to claim "Credit for Income Tax Paid to Another State."
6. If applicable, the form "Oregon Deferral of Reinvested Gain."

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

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

When do I need to file an amended Oregon return?

File Form 40X (Oregon amended return) any time you need to correct your Oregon return. Generally, you are allowed three years from the due date of the return or the date the return was filed, whichever is later, to file an amended return. 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 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 jointly 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.

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			
At least		But less than		At least		But less than		At least		But less than		At least		But less than	
S		J		S		J		S		J		S		J	
\$0 – 4,650				\$4,650 – 9,450				\$9,450 – 14,250				\$14,250 – 19,050			
0–	20	0	0	4650–	4750	285	241	9450–	9550	700	577	14250–	14350	1132	977
20–	50	2	2	4750–	4850	292	248	9550–	9650	709	584	14350–	14450	1141	986
50–	150	5	5	4850–	4950	299	255	9650–	9750	718	591	14450–	14550	1150	995
150–	250	10	10	4950–	5050	306	262	9750–	9850	727	598	14550–	14650	1159	1004
250–	350	15	15	5050–	5150	313	269	9850–	9950	736	605	14650–	14750	1168	1013
350–	450	20	20	5150–	5250	320	276	9950–	10050	745	612	14750–	14850	1177	1022
450–	550	25	25	5250–	5350	327	283	10050–	10150	754	619	14850–	14950	1186	1031
550–	650	30	30	5350–	5450	334	290	10150–	10250	763	626	14950–	15050	1195	1040
650–	750	35	35	5450–	5550	341	297	10250–	10350	772	633	15050–	15150	1204	1049
750–	850	40	40	5550–	5650	349	304	10350–	10450	781	640	15150–	15250	1213	1058
850–	950	45	45	5650–	5750	358	311	10450–	10550	790	647	15250–	15350	1222	1067
950–	1050	50	50	5750–	5850	367	318	10550–	10650	799	654	15350–	15450	1231	1076
1050–	1150	55	55	5850–	5950	376	325	10650–	10750	808	661	15450–	15550	1240	1085
1150–	1250	60	60	5950–	6050	385	332	10750–	10850	817	668	15550–	15650	1249	1094
1250–	1350	65	65	6050–	6150	394	339	10850–	10950	826	675	15650–	15750	1258	1103
1350–	1450	70	70	6150–	6250	403	346	10950–	11050	835	682	15750–	15850	1267	1112
1450–	1550	75	75	6250–	6350	412	353	11050–	11150	844	689	15850–	15950	1276	1121
1550–	1650	80	80	6350–	6450	421	360	11150–	11250	853	698	15950–	16050	1285	1130
1650–	1750	85	85	6450–	6550	430	367	11250–	11350	862	707	16050–	16150	1294	1139
1750–	1850	90	90	6550–	6650	439	374	11350–	11450	871	716	16150–	16250	1303	1148
1850–	1950	95	95	6650–	6750	448	381	11450–	11550	880	725	16250–	16350	1312	1157
1950–	2050	100	100	6750–	6850	457	388	11550–	11650	889	734	16350–	16450	1321	1166
2050–	2150	105	105	6850–	6950	466	395	11650–	11750	898	743	16450–	16550	1330	1175
2150–	2250	110	110	6950–	7050	475	402	11750–	11850	907	752	16550–	16650	1339	1184
2250–	2350	117	115	7050–	7150	484	409	11850–	11950	916	761	16650–	16750	1348	1193
2350–	2450	124	120	7150–	7250	493	416	11950–	12050	925	770	16750–	16850	1357	1202
2450–	2550	131	125	7250–	7350	502	423	12050–	12150	934	779	16850–	16950	1366	1211
2550–	2650	138	130	7350–	7450	511	430	12150–	12250	943	788	16950–	17050	1375	1220
2650–	2750	145	135	7450–	7550	520	437	12250–	12350	952	797	17050–	17150	1384	1229
2750–	2850	152	140	7550–	7650	529	444	12350–	12450	961	806	17150–	17250	1393	1238
2850–	2950	159	145	7650–	7750	538	451	12450–	12550	970	815	17250–	17350	1402	1247
2950–	3050	166	150	7750–	7850	547	458	12550–	12650	979	824	17350–	17450	1411	1256
3050–	3150	173	155	7850–	7950	556	465	12650–	12750	988	833	17450–	17550	1420	1265
3150–	3250	180	160	7950–	8050	565	472	12750–	12850	997	842	17550–	17650	1429	1274
3250–	3350	187	165	8050–	8150	574	479	12850–	12950	1006	851	17650–	17750	1438	1283
3350–	3450	194	170	8150–	8250	583	486	12950–	13050	1015	860	17750–	17850	1447	1292
3450–	3550	201	175	8250–	8350	592	493	13050–	13150	1024	869	17850–	17950	1456	1301
3550–	3650	208	180	8350–	8450	601	500	13150–	13250	1033	878	17950–	18050	1465	1310
3650–	3750	215	185	8450–	8550	610	507	13250–	13350	1042	887	18050–	18150	1474	1319
3750–	3850	222	190	8550–	8650	619	514	13350–	13450	1051	896	18150–	18250	1483	1328
3850–	3950	229	195	8650–	8750	628	521	13450–	13550	1060	905	18250–	18350	1492	1337
3950–	4050	236	200	8750–	8850	637	528	13550–	13650	1069	914	18350–	18450	1501	1346
4050–	4150	243	205	8850–	8950	646	535	13650–	13750	1078	923	18450–	18550	1510	1355
4150–	4250	250	210	8950–	9050	655	542	13750–	13850	1087	932	18550–	18650	1519	1364
4250–	4350	257	215	9050–	9150	664	549	13850–	13950	1096	941	18650–	18750	1528	1373
4350–	4450	264	220	9150–	9250	673	556	13950–	14050	1105	950	18750–	18850	1537	1382
4450–	4550	271	227	9250–	9350	682	563	14050–	14150	1114	959	18850–	18950	1546	1391
4550–	4650	278	234	9350–	9450	691	570	14150–	14250	1123	968	18950–	19050	1555	1400

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 and you use column				If income from Form 40S line 16, or Form 40 line 29 is and you use column				If income from Form 40S line 16, or Form 40 line 29 is and you use column				If income from Form 40S line 16, or Form 40 line 29 is and you use column			
At least	But less than	S	J	At least	But less than	S	J	At least	But less than	S	J	At least	But less than	S	J
\$19,050 – 23,850				\$23,850 – 28,650				\$28,650 – 33,450				\$33,450 – 38,250			
19050–	19150	1564	1409	23850–	23950	1996	1841	28650–	28750	2428	2273	33450–	33550	2860	2705
19150–	19250	1573	1418	23950–	24050	2005	1850	28750–	28850	2437	2282	33550–	33650	2869	2714
19250–	19350	1582	1427	24050–	24150	2014	1859	28850–	28950	2446	2291	33650–	33750	2878	2723
19350–	19450	1591	1436	24150–	24250	2023	1868	28950–	29050	2455	2300	33750–	33850	2887	2732
19450–	19550	1600	1445	24250–	24350	2032	1877	29050–	29150	2464	2309	33850–	33950	2896	2741
19550–	19650	1609	1454	24350–	24450	2041	1886	29150–	29250	2473	2318	33950–	34050	2905	2750
19650–	19750	1618	1463	24450–	24550	2050	1895	29250–	29350	2482	2327	34050–	34150	2914	2759
19750–	19850	1627	1472	24550–	24650	2059	1904	29350–	29450	2491	2336	34150–	34250	2923	2768
19850–	19950	1636	1481	24650–	24750	2068	1913	29450–	29550	2500	2345	34250–	34350	2932	2777
19950–	20050	1645	1490	24750–	24850	2077	1922	29550–	29650	2509	2354	34350–	34450	2941	2786
20050–	20150	1654	1499	24850–	24950	2086	1931	29650–	29750	2518	2363	34450–	34550	2950	2795
20150–	20250	1663	1508	24950–	25050	2095	1940	29750–	29850	2527	2372	34550–	34650	2959	2804
20250–	20350	1672	1517	25050–	25150	2104	1949	29850–	29950	2536	2381	34650–	34750	2968	2813
20350–	20450	1681	1526	25150–	25250	2113	1958	29950–	30050	2545	2390	34750–	34850	2977	2822
20450–	20550	1690	1535	25250–	25350	2122	1967	30050–	30150	2554	2399	34850–	34950	2986	2831
20550–	20650	1699	1544	25350–	25450	2131	1976	30150–	30250	2563	2408	34950–	35050	2995	2840
20650–	20750	1708	1553	25450–	25550	2140	1985	30250–	30350	2572	2417	35050–	35150	3004	2849
20750–	20850	1717	1562	25550–	25650	2149	1994	30350–	30450	2581	2426	35150–	35250	3013	2858
20850–	20950	1726	1571	25650–	25750	2158	2003	30450–	30550	2590	2435	35250–	35350	3022	2867
20950–	21050	1735	1580	25750–	25850	2167	2012	30550–	30650	2599	2444	35350–	35450	3031	2876
21050–	21150	1744	1589	25850–	25950	2176	2021	30650–	30750	2608	2453	35450–	35550	3040	2885
21150–	21250	1753	1598	25950–	26050	2185	2030	30750–	30850	2617	2462	35550–	35650	3049	2894
21250–	21350	1762	1607	26050–	26150	2194	2039	30850–	30950	2626	2471	35650–	35750	3058	2903
21350–	21450	1771	1616	26150–	26250	2203	2048	30950–	31050	2635	2480	35750–	35850	3067	2912
21450–	21550	1780	1625	26250–	26350	2212	2057	31050–	31150	2644	2489	35850–	35950	3076	2921
21550–	21650	1789	1634	26350–	26450	2221	2066	31150–	31250	2653	2498	35950–	36050	3085	2930
21650–	21750	1798	1643	26450–	26550	2230	2075	31250–	31350	2662	2507	36050–	36150	3094	2939
21750–	21850	1807	1652	26550–	26650	2239	2084	31350–	31450	2671	2516	36150–	36250	3103	2948
21850–	21950	1816	1661	26650–	26750	2248	2093	31450–	31550	2680	2525	36250–	36350	3112	2957
21950–	22050	1825	1670	26750–	26850	2257	2102	31550–	31650	2689	2534	36350–	36450	3121	2966
22050–	22150	1834	1679	26850–	26950	2266	2111	31650–	31750	2698	2543	36450–	36550	3130	2975
22150–	22250	1843	1688	26950–	27050	2275	2120	31750–	31850	2707	2552	36550–	36650	3139	2984
22250–	22350	1852	1697	27050–	27150	2284	2129	31850–	31950	2716	2561	36650–	36750	3148	2993
22350–	22450	1861	1706	27150–	27250	2293	2138	31950–	32050	2725	2570	36750–	36850	3157	3002
22450–	22550	1870	1715	27250–	27350	2302	2147	32050–	32150	2734	2579	36850–	36950	3166	3011
22550–	22650	1879	1724	27350–	27450	2311	2156	32150–	32250	2743	2588	36950–	37050	3175	3020
22650–	22750	1888	1733	27450–	27550	2320	2165	32250–	32350	2752	2597	37050–	37150	3184	3029
22750–	22850	1897	1742	27550–	27650	2329	2174	32350–	32450	2761	2606	37150–	37250	3193	3038
22850–	22950	1906	1751	27650–	27750	2338	2183	32450–	32550	2770	2615	37250–	37350	3202	3047
22950–	23050	1915	1760	27750–	27850	2347	2192	32550–	32650	2779	2624	37350–	37450	3211	3056
23050–	23150	1924	1769	27850–	27950	2356	2201	32650–	32750	2788	2633	37450–	37550	3220	3065
23150–	23250	1933	1778	27950–	28050	2365	2210	32750–	32850	2797	2642	37550–	37650	3229	3074
23250–	23350	1942	1787	28050–	28150	2374	2219	32850–	32950	2806	2651	37650–	37750	3238	3083
23350–	23450	1951	1796	28150–	28250	2383	2228	32950–	33050	2815	2660	37750–	37850	3247	3092
23450–	23550	1960	1805	28250–	28350	2392	2237	33050–	33150	2824	2669	37850–	37950	3256	3101
23550–	23650	1969	1814	28350–	28450	2401	2246	33150–	33250	2833	2678	37950–	38050	3265	3110
23650–	23750	1978	1823	28450–	28550	2410	2255	33250–	33350	2842	2687	38050–	38150	3274	3119
23750–	23850	1987	1832	28550–	28650	2419	2264	33350–	33450	2851	2696	38150–	38250	3283	3128

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 and you use column				If income from Form 40S line 16, or Form 40 line 29 is and you use column				If income from Form 40S line 16, or Form 40 line 29 is and you use column				If income from Form 40S line 16, or Form 40 line 29 is and you use column			
At least	But less than	S	J	At least	But less than	S	J	At least	But less than	S	J	At least	But less than	S	J
\$38,250 – 41,250				\$41,250 – 44,250				\$44,250 – 47,250				\$47,250 – 50,001			
38250–	38350	3292	3137	41250–	41350	3562	3407	44250–	44350	3832	3677	47250–	47350	4102	3947
38350–	38450	3301	3146	41350–	41450	3571	3416	44350–	44450	3841	3686	47350–	47450	4111	3956
38450–	38550	3310	3155	41450–	41550	3580	3425	44450–	44550	3850	3695	47450–	47550	4120	3965
38550–	38650	3319	3164	41550–	41650	3589	3434	44550–	44650	3859	3704	47550–	47650	4129	3974
38650–	38750	3328	3173	41650–	41750	3598	3443	44650–	44750	3868	3713	47650–	47750	4138	3983
38750–	38850	3337	3182	41750–	41850	3607	3452	44750–	44850	3877	3722	47750–	47850	4147	3992
38850–	38950	3346	3191	41850–	41950	3616	3461	44850–	44950	3886	3731	47850–	47950	4156	4001
38950–	39050	3355	3200	41950–	42050	3625	3470	44950–	45050	3895	3740	47950–	48050	4165	4010
39050–	39150	3364	3209	42050–	42150	3634	3479	45050–	45150	3904	3749	48050–	48150	4174	4019
39150–	39250	3373	3218	42150–	42250	3643	3488	45150–	45250	3913	3758	48150–	48250	4183	4028
39250–	39350	3382	3227	42250–	42350	3652	3497	45250–	45350	3922	3767	48250–	48350	4192	4037
39350–	39450	3391	3236	42350–	42450	3661	3506	45350–	45450	3931	3776	48350–	48450	4201	4046
39450–	39550	3400	3245	42450–	42550	3670	3515	45450–	45550	3940	3785	48450–	48550	4210	4055
39550–	39650	3409	3254	42550–	42650	3679	3524	45550–	45650	3949	3794	48550–	48650	4219	4064
39650–	39750	3418	3263	42650–	42750	3688	3533	45650–	45750	3958	3803	48650–	48750	4228	4073
39750–	39850	3427	3272	42750–	42850	3697	3542	45750–	45850	3967	3812	48750–	48850	4237	4082
39850–	39950	3436	3281	42850–	42950	3706	3551	45850–	45950	3976	3821	48850–	48950	4246	4091
39950–	40050	3445	3290	42950–	43050	3715	3560	45950–	46050	3985	3830	48950–	49050	4255	4100
40050–	40150	3454	3299	43050–	43150	3724	3569	46050–	46150	3994	3839	49050–	49150	4264	4109
40150–	40250	3463	3308	43150–	43250	3733	3578	46150–	46250	4003	3848	49150–	49250	4273	4118
40250–	40350	3472	3317	43250–	43350	3742	3587	46250–	46350	4012	3857	49250–	49350	4282	4127
40350–	40450	3481	3326	43350–	43450	3751	3596	46350–	46450	4021	3866	49350–	49450	4291	4136
40450–	40550	3490	3335	43450–	43550	3760	3605	46450–	46550	4030	3875	49450–	49550	4300	4145
40550–	40650	3499	3344	43550–	43650	3769	3614	46550–	46650	4039	3884	49550–	49650	4309	4154
40650–	40750	3508	3353	43650–	43750	3778	3623	46650–	46750	4048	3893	49650–	49750	4318	4163
40750–	40850	3517	3362	43750–	43850	3787	3632	46750–	46850	4057	3902	49750–	49850	4327	4172
40850–	40950	3526	3371	43850–	43950	3796	3641	46850–	46950	4066	3911	49850–	49950	4336	4181
40950–	41050	3535	3380	43950–	44050	3805	3650	46950–	47050	4075	3920	49950–	50001	4345	4190
41050–	41150	3544	3389	44050–	44150	3814	3659	47050–	47150	4084	3929				
41150–	41250	3553	3398	44150–	44250	3823	3668	47150–	47250	4093	3938				

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: For persons filing SINGLE OR MARRIED FILING SEPARATELY		Tax Rate Chart B: For persons filing JOINTLY, HEAD OF HOUSEHOLD or QUALIFYING WIDOW(ER) WITH DEPENDENT CHILD	
If your taxable income is:	Your tax is:	If your taxable income is:	Your tax is:
Over \$50,000	\$4,345 plus 9% of excess over \$50,000	Over \$50,000	\$4,190 plus 9% of excess over \$50,000

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 1996? If so, you may claim an additional exemption credit. You are considered to have a severe disability if any of the following apply:

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

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

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, 1996.
- 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, 1996, 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. If you or your spouse are blind, you may also qualify for an additional exemption credit. See lines 6a and 6b above.

Line instructions

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

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

9. Interest. 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. 1996 federal tax liability.

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

Limit: You may deduct up to \$3,000 of your total federal income tax liability. 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 44 minus line 54.

Is the 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	.30
\$ 5,000	10,000	.15
10,000	15,000	.08
15,000	25,000	.06
25,000	35,000	.05
35,000	45,000	.04
45,000	—	.00

3. Multiply the child care expenses on line 1 by the decimal amount on line 2. Enter the result here. 3. _____
4. Multiply your 1995 child and dependent care expenses you included in the computation of your federal 1996 credit by the decimal amount that applies to your 1995 federal taxable income. Enter the result. 4. _____

5. Add the amounts on lines 3 and 4. 5. _____
Enter here and on Form 40S, line 19.

Carryover. Your total 1996 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 1996. 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. See page 29 of Form 40 instructions.

- 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 pages 28 and 29 of Form 40 instructions to figure your credit.
- Credit for home care of an elderly person. See page 29 of Form 40 instructions.
- Credit for loss of use of limbs. If you have a permanent and complete loss of the use of two limbs, you may take a tax credit of \$50. If your spouse qualifies, he or she may also claim a \$50 credit. You can't claim this credit for a dependent.

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

You also qualify for an additional exemption for severely disabled persons. See page 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. We can't accept anything but W-2 forms until after February 1.

If you paid estimated tax for 1996, you must use Form 40.

If you have tax to pay, you may want to increase the amount your employer withholds from your wages for Oregon. If you and your spouse both work, see page 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 "1996 Form 40S" on your check. Don't send cash or postdated checks. Stop here on the form.

If you owe more than \$500, you should have made estimated tax payments. See instructions for interest on underpayment of estimated tax on page 30.

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

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

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

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

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

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

Alzheimer's Research Alliance
PO Box 10051
Portland OR 97210

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

OCADSV
520 NW Davis, Suite 310
Portland OR 97209

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

The Research and Education Group
PO Box 40104
Portland OR 97240

33. Net refund. 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 showing Oregon withholding to the front of the form.

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 of 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.

Form 40 instructions

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

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

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

Fiscal year filers

Write "Fiscal Year" in the center at the top of the form. Use 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 jointly 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 1996? If so, you may claim an additional exemption credit. You are considered to have a severe disability if any of the following apply:

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

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

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, 1996.
- 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, 1996, 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 page 22. If you or your spouse are blind, you may also qualify for an additional exemption credit. See lines 6a and 6b on page 18.

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 interest. But you do pay Oregon tax. Example: Include interest from State of Washington bonds or from San Francisco city bonds. Leave out interest from Oregon government bonds and interest from U.S. territories or possessions (such as Guam, Puerto Rico, and the Virgin Islands).

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

- Federal election on interest and dividends of a minor child. Did you make the election to report interest or dividends of your minor child on your federal return? If so, you must add the amount that is subject to the special federal tax to Oregon income. On Form 40, line 10, fill in the smaller of line 6 or 7 from federal Form 8814, plus \$150.
- Federal income tax refunds. Did you get a federal tax refund in 1996 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 10. 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. Oregon requires a 1996 one-time depreciation adjustment. See page 3. You may 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 5 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. Did you use the 5- or 10-year averaging method for federal purposes? If so, all or part of your lump-sum distribution must be added to income on your Oregon return. The amount of the addition is the total of your ordinary income portion and your capital gain portion. Include the capital gain portion only if you did not include it in your federal adjusted gross income. This information is on the federal Form 1099R your employer gave you. Fill in this sum on line 10. Attach a copy of federal Form 1099R to your Oregon return with your wage slips.
- Other additions. The following additions apply to only a few people and are not explained in this booklet. If you need help, see page 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.

13. 1996 federal tax liability. Caution: Carefully follow the instructions below. Don't confuse your federal tax liability calculated on your federal return with the federal tax withheld on your W-2. They are not the same.

Limit: You may deduct up to \$3,000 of your total federal income tax liability. 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 44 minus line 54, 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 46?
- Recapture taxes included on Form 1040, line 51?
- Tax on qualified retirement plans, Form 1040, line 48?

If so, include these in your federal tax.

Caution: Don't add:

- Self-employment tax, Form 1040, line 45.
- Social Security and Medicare tax on tips, Form 1040, line 47.
- Advance earned income credit payments, Form 1040, line 49, or Form 1040A, line 26.
- Household employment taxes, Form 1040, line 50, or Form 1040A, line 27.

Did you pay additional federal tax in 1996 because you were audited or you filed an amended return? If so, read the instructions for line 18.

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

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

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

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

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

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

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

17. Deferral of reinvested gain. You may defer gain on the sale of certain business assets if you reinvest proceeds in qualifying business assets within six months. Attach the form "Oregon Deferral of Reinvested Gain" to the back of your return. For more information or to get the form, see page 32.

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 1996 or if you were discharged from military service in 1996, you can subtract all military active duty income earned outside Oregon.
2. You can subtract active duty pay earned outside Oregon from January 1 through the date the President sets as the end of combat activities in the Persian Gulf. The date was not set when this publication was printed.
3. Whether or not you are eligible for the other military subtractions, you may still subtract up to \$3,000 of active duty pay. The subtraction for each spouse receiving active duty pay is limited to \$3,000.

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

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

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

Example 1. Denise enlisted in the Navy in 1993. From January 1, 1996, until August 15, 1996, she was stationed in Hawaii. From August 15 until the end of the year she served in Oregon as a recruiter. For 1996 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 1996, Andy was stationed in Omaha, Nebraska. He spent more than 30 days in Oregon. Andy had lived in Oregon before enlisting in the Army. He earned \$25,000 for the year—\$3,200 earned after December 1. If the President declared the end of the combat activities in the Persian Gulf on December 1, his subtraction is figured as follows: Active duty pay earned outside of Oregon before Persian Gulf combat activities ended is \$21,800 (\$25,000 – \$3,200). Active duty pay earned in Oregon is limited to \$3,000 for a total subtraction of \$24,800.

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

Example 4. Natasha enlisted in the Army April 15 and was stationed overseas. She earned \$8,000 in 1996. She qualifies for the year-of-entry subtraction of \$8,000 and for the \$3,000 subtraction. She also qualifies for a subtraction for active duty pay earned outside of Oregon. However, her total military active duty pay subtraction cannot exceed \$8,000.

Example 5. Ryan served in a combat zone from January 1 until May 9. He filed jointly with his wife who lives in and maintains a residence in Oregon. He earned \$8,000 combat pay. He was transferred to Germany for the rest of 1996 where he earned an additional \$15,000 of active duty pay. The President did not declare an end to the combat activities in 1996. Ryan excluded his \$8,000 combat pay on his federal return, so he can't subtract it on his Oregon return. Therefore, his Oregon subtraction is limited to \$15,000, the amount earned outside of Oregon and included in federal income.

- **Federal tax from a prior year.** Did you pay additional federal tax in 1996 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 13.

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

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

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

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

- **Difference in depreciation for Oregon.** Oregon requires a 1996 one-time depreciation adjustment. See page 3. You may 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 more than your federal depreciation? If so, fill in the amount from line 5 of the Oregon Depreciation Schedule. If not, see the instructions for Form 40, line 10.
- **Difference in home mortgage interest for Oregon.** Did you claim a mortgage interest credit on your federal return? If so, you may claim a subtraction on your Oregon return for the home mortgage interest not included in your itemized deductions reported on your federal return. You must itemize deductions for Oregon to claim this subtraction.
- **Payments from IRAs, Keoghs, 403(b), and 457 plans.** You may be able to subtract some of your payments if all of the following apply:
 - You contributed to an IRA, Keogh, 403(b), or 457 plan when you were a nonresident;
 - You paid tax on these contributions in your state of residence; and
 - You did not receive a tax benefit for these contributions by any other state.

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

- **Lottery winnings included on your federal return.** Did you include winnings from the Oregon Lottery or Powerball on your federal return? These winnings are not taxed by Oregon. Fill in the total Oregon Lottery and Powerball winnings from your federal return. Label the line, "Oregon Lottery." Do 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 and be paid on a per unit cut basis or be a member of a recognized construction trade, craft, or union.

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

Keep a record of your actual costs. Be sure to label this subtraction as "Commuting costs." Don't include any costs you claimed as employee business expenses in your itemized deductions.

- **American Indian.** Are you an enrolled member of a federally recognized tribe? If so, you may subtract any income earned while living and working in "Indian country." Indian country means those areas set aside for the residence of tribal Indians. It includes reservation land and other land held in trust by the United States for a tribe. Label the line "American Indian" and include your tribal enrollment number on line 18.
- **Federal tax credits.** Did you claim a federal tax credit, such as a jobs credit or business credit? If so, you may have been required to reduce your federal expenses because you claimed that credit. You may also claim those unallowed expenses as a subtraction for Oregon.
- **Interest on government bonds of Oregon.** Were you required to include interest from Oregon state and local government bonds in your federal income? If so, fill in the amount included on federal Form 1040, line 8a, and label it "Interest on Oregon bonds."
- **Other subtractions.** The following subtractions apply to only a few people and are not explained in this booklet. If you need help, see page 32.
 - Foreign tax.
 - Gain or loss on the sale of depreciable property.
 - Artists who make a charitable art donation.
 - Tier 2, windfall/dual-vested, or supplemental Railroad retirement and Railroad unemployment benefits.
 - Passive losses.
 - Local private activity bond interest.
 - Fiduciary adjustments from Oregon estates and simple or complex trusts.
 - Underground storage tank pollution grant.
 - JOBS Plus Program payments.

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, 1996? If so, your deduction is the lesser of line 1 or line 3 from your federal Schedule A. To claim this deduction, you

must itemize deductions. You can do this by filling out a Schedule A for both federal and Oregon or filling out one for Oregon only. (Keep your Schedule A with your tax records.)

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

Are you claiming a credit for income taxes paid to another state? If so, include the other state's tax after credits on the mutually taxed income or the other state's tax claimed as an itemized deduction, whichever is less. See instructions for line 38, pages 28 and 29.

Did you limit itemized deductions on your federal return because your adjusted gross income exceeded \$117,950 (\$58,975 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.

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

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

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

1. \$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.

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

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

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

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

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

Continued on page 27

Continued from page 22

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

Oregon tax

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

Example 1. A single Oregon taxpayer has taxable income of \$19,500. The tax from the table on page 13 is \$1,600.

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	\$4,190
Tax on next \$19,500 of taxable income (\$19,500 × .09):	<u>1,755</u>
Their Oregon tax	<u>\$5,945</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, 1996, 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, 1996,
- 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 both spouses' total Social Security and Tier 1 Railroad retirement benefits. 2. _____
3. Line 1 minus line 2 but not less than -0-. 3. _____
4. Enter household income limit from Part 2, line 3. 4. _____
5. Line 3 minus line 4, but not less than -0-. 5. _____
6. Enter 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 (\$27,000 - (\$20,000 + \$11,000)). With his depreciation deduction limited to \$5,000, the business income he includes in household income is \$2,000, figured as follows: \$27,000 - (\$20,000 + \$5,000) = \$2,000.

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

- Veteran's and military benefits.
- Gifts and grants (total amount minus \$500).
- Disability pay.
- Nontaxable dividends (other than "return of capital" dividends).
- Inheritances.
- Insurance proceeds.
- Nontaxable interest.
- Lottery winnings.
- Railroad retirement benefits (Tier 2 only).
- Scholarships.
- Strike benefits.
- Welfare benefits.

If you need more information, see page 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. × | _____ |

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 your 1995 child and dependent care expenses you included in the computation of your federal 1996 credit by the decimal amount that applies to your 1995 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 1996 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 1996. It must have been a donation of money to any of the following:

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

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 during 1996.

If you were a full-year Oregon resident and had income taxed by Arizona, California, Indiana, or Virginia, you may not claim the credit on your Oregon return. You may claim the credit on your nonresident return filed with the other state. If income is taxed by Oregon and another state not listed here, claim the credit on line 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 and 9 minus lines 14–17. Add amounts on line 10 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.

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

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

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

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 excess credit can be carried forward over the next five years. If the excess isn't used within five years, it's lost.
- Credit for loss of use of limbs. If you have a permanent and complete loss of the use of two limbs, you may take a tax credit of \$50. Your spouse may also claim a \$50 credit if he or she qualifies. You can't claim this credit for a dependent.

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

You also qualify for the severely disabled exemption. See instructions on page 18.

- Credit for alternative energy devices. You must install solar devices or ground loop systems that provide 10 percent or more of an Oregon home's energy. See page 32 to order the information circular, "Alternative Energy Devices," 150-101-641.
- Sewage treatment works hookup credit. Oregon residents could claim a credit for the cost of installing or connecting to specific sewage treatment works. The connection must have been required by an order from the Assistant Director for Health issued after January 1, 1988, and before July 1, 1995. Claim one-fifth of the expenses each year, for five years, limited to \$160 per year.
- Credit for home care of an elderly person. You may be eligible for this credit if your household income is less than \$17,500 and you pay expenses for the care of someone age 60 or older. The care must keep that person from being placed in a nursing home. That person's household income must be \$7,500 or less. See page 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.
- 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.
 - Crops donated to gleaning cooperatives.
 - Dependent care assistance.
 - Farmworker housing.
 - Fish habitat improvements.
 - Fish screening devices.
 - Involuntary moving of a mobile home.
 - Oregon tax on gain mutually taxed by another state or country. The gain must be from the sale of your home.
 - Pollution control facilities.
 - Pollution prevention credit.
 - Reclaimed plastic (investment in capital assets).
 - Reforestation of underproductive forest lands.
 - Rural medical practitioners or rural dentists.
 - Youth apprenticeship program.

Tax payments made in 1996

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. We can't accept anything but W-2 forms until after February 1.

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

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

43. Estimated tax you paid for the 1996 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 1995 income tax return.

47. Penalty and interest.

Due date. Your return is due by April 15, 1997, unless you get an extension.

Penalty. Include a penalty payment if you:

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

Penalty is 5 percent of the unpaid balance of your tax. If you file more than three months late, add an additional 20 percent penalty. See pages 4 and 5 for how to avoid incurring a penalty.

Interest. Are you filing your return or paying your tax after April 15, 1997? 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 1996, and
- Owe less than \$500 tax on your 1996 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.

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 "1996 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.

If you owe more than \$500, you should have made estimated tax payments. See instructions for line 48 above.

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

52. Estimated tax. If your refund is \$5 or more, you may apply part or all of your refund, line 51, to your 1997 Oregon estimated income tax. Fill in the amount you want to apply.

Charitable Checkoffs. Donations will reduce your refund. If you don't have a refund on line 51 but you want to contribute, mail your donations to the addresses below.

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

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

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

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

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.

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.

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.

The Research and Education Group
PO Box 40104
Portland OR 97240

59. Net refund. You must reduce your refund by any amounts applied to 1997 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 showing Oregon withholding to the front of the return.

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 of 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

Do you need help?

Call: Salem (503) 378-4988

*Toll-free within Oregon 1-800-356-4222

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

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

Once you're in the system, push:

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

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

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

Habla Español?

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

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

To get forms

Income tax booklets are available at 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.

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

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



Printed information (free) State forms only

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

- 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
- Oregon Deferral of Reinvested Gain 150-101-614
- Depreciation form 150-101-025
- 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 _____

