

Oregon 1999



Nonresident and Part-Year Resident

Forms 40N & 40P with Instructions

How to get your refund faster

- Use the correct form.
- Type or legibly print your name, address, and correct Social Security number.
- Claim your correct federal tax subtraction.
- Double-check your math.
- Sign your return.
- Attach every Form W-2 and 1099 that shows Oregon tax withheld.
- Attach a copy of the front and back of your federal return.
- Mail early.
- File electronically.**
See page 3 for details.



Dear Taxpayer,

The income taxes you pay provide funding for important services like education, public safety, and human services. The next page shows how your income tax dollars are spent. This year we are focusing on the portion that pays for public safety. Thank you for supporting all these valuable services.

We at the Department of Revenue are committed to administering income tax laws fairly and efficiently to fund services for those who live or work in Oregon. Electronic filing is one way we are able to serve you accurately and quickly. We are pleased to offer electronic filing for nonresidents and part-year residents this year. As the new century unfolds, we will continue to look for new and better ways to serve you.

Please follow the instructions and the checklist carefully to avoid unnecessary delays in processing your return and issuing your refund. If you need help or have questions, turn to the back cover for addresses, phone numbers, and our Web site address.

Sincerely,

Elizabeth Harchenko

Elizabeth Harchenko, Director
Oregon Department of Revenue

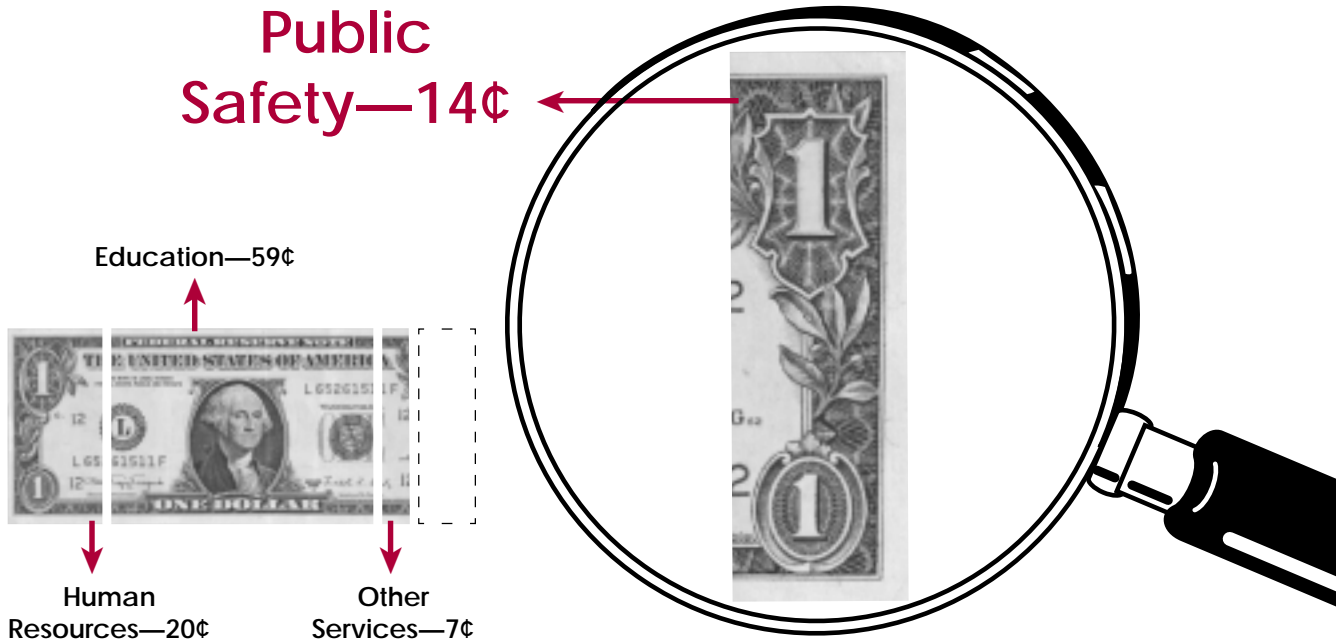


Oregon Department of Revenue
955 Center Street NE
Salem OR 97310-2551

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Services paid for with your income tax dollar

Last year we gave you an overview of the services that are paid for with your tax dollar. We presented four categories: education, human resources, public safety, and other services. This year we would like to highlight just one of those areas: public safety. Fourteen cents of every tax dollar goes to public safety programs.



Department of Corrections promotes public safety by holding offenders accountable for their actions.

The department works hard to reduce the chances that an offender will commit new crimes. The department is recognized nationally for providing inmates with the cognitive, behavioral, and job skills they need to become productive, tax-paying citizens. Oregon has one of the lowest repeat offender rates in the nation. After three years, more than two-thirds of its former offenders remain out of prison.

The department has custody of offenders sentenced to prison for more than 12 months. Oregon currently houses offenders in 13 state prisons.

The Oregon Department of Corrections works closely with the counties, the courts, and other criminal justice agencies to make Oregon a safer place for all.

Oregon State Police (OSP) develops, promotes, and protects the people, property, and natural resources of Oregon. The department enhances the safety and livability of Oregon by serving and protecting its citizens.

The State Police consists of 13 divisions that provide statewide services. Major services include: uniform patrol, state detectives, fish and wildlife enforcement, crime labs, fire marshal, and emergency management.

OSP coordinates public safety services throughout the entire state. State Police work with city and county governments through patrol efforts, criminal investigation, and crime scene examination.

OSP manages and maintains the emergency response, fire and life safety, and shared data systems that facilitate law enforcement efforts in communities statewide.

Department of Justice is the state's legal counsel. The department, through the attorney general, has full charge and control of all the state's legal business that requires the services of an attorney or legal counsel.

It manages programs which include crime victims' compensation, organized crime, consumer protection, and child support enforcement.

The Criminal Justice Division within the department works with Oregon's 36 district attorneys to investigate and prosecute cases.

To find out more about these and other state agencies that work to serve Oregon and its 3.2 million citizens, visit Oregon OnLine at www.state.or.us

The following instructions aren't a complete statement of laws and Oregon Department of Revenue rules. If you need more information or forms, please see page 36.

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

Electronic filing



Electronic filing is an efficient and accurate way to file an Oregon income tax return. After March 1, 2000, when processing starts, you will receive your refund within approximately 10–12 days. If you owe additional tax, you can file your return any time before the due date and you will have until April 17, 2000 to pay the tax.

Oregon participates in a joint federal/state electronic filing program. This program allows federal and state returns to be sent together electronically.

There are three ways to file your return electronically:

1. **Tax preparer.** Some tax professionals are able to electronically file your tax return. Ask your preparer if they offer electronic filing or check the yellow pages to find someone who does in your area.
2. **Tax Software.** If you have a modem, you can purchase tax software that will allow you to electronically file your return. Read the software package carefully to see if the electronic filing option is available.
3. **Internet.** There are several companies that provide on-line preparation and transmission for a fee. For a list of companies offering Oregon federal/state electronic filing, visit the department's Web site at www.dor.state.or.us and click on "Electronic Filing."

We do not accept credit cards to pay current taxes due.

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New information

Federal law. Oregon is permanently tied to the federal definition of taxable income. This means that most items, including net operating loss carryback and carryover provisions, will be treated the same way on your Oregon and federal returns. Oregon will automatically adopt any future federal law changes to the definition of taxable income.

Residential energy devices credit. 1999 legislation clarified that renters who buy energy efficient appliances certified by the Office of Energy qualify for the credit beginning in 1998.

One-time depreciation adjustment. Did you claim the one-time depreciation adjustment on your 1996 Oregon return? If not, or if you claimed it then revoked it in 1997, you may be able to claim it now for 1996 with a carryover to 1997 and 1998. Please call us for an amended return or more information. See page 36.

Federal pension income. Like last year, some or all of your federal pension income received may be subtracted

from Oregon income. Please carefully follow the instructions on page 23 for line 38 to ensure that your return is processed without unnecessary contact or delays. This subtraction will remain available as long as the PERS benefit increase remains in effect.

Federal pension refunds. Did you receive a refund of Oregon tax paid in prior years on federal pension income? The interest you received is taxed by both Oregon and the federal government. The state tax that was refunded may be taxable on your federal return if you claimed it as an itemized deduction in an earlier year. If you included the state tax refund in federal income, you may subtract it on your Oregon return. Oregon does not tax refunds of Oregon state income tax. Please see the instructions for line 10, page 13. Attorney fees deducted from the refund may be claimed as a federal itemized deduction subject to limitations.

Estimated tax. Oregon laws differ from federal laws for estimated tax. You may have an underpayment of 1999

Oregon tax if you owe more than \$500 Oregon tax after credits and withholding. For tax year 2000, you must pay estimated tax if you expect to owe more than \$1,000. You can avoid interest on underpayment of estimated tax for 2000 by paying estimated tax equal to 100 percent of your 1999 Oregon tax liability on the due dates. See page 35.

Previously taxed Roth IRA conversions. If you converted an IRA while you were a resident of another state, you can subtract the amount of the conversion included in your 1999 federal income that was also taxed by the other state. See page 36 for numbers to call if you need help.

Roth IRA conversions. If you were an Oregon resident at the time you converted a regular Individual Retirement Account to a Roth IRA, the amount included in your 1999 federal income for that conversion is also included in Oregon income.

Retirement income credit and special Oregon medical deduction. The minimum age requirement increased to 62 for tax year 1999.

Have you been audited by another state? If you were audited by another state and the adjustments affect your Oregon income or tax, you must report that change to Oregon within two years of the date on the audit report to pay Oregon tax or receive a refund. See page 35.

Claim of right credit. Did you pay Oregon tax on income you received in an earlier year and repaid in 1998 or 1999? If so and you qualify for a federal deduction or special tax computation for claim of right income, you may qualify for an Oregon credit. Please call us for additional information. See page 36.

Political contribution credit. The credit is now available for a wider variety of contributions. Please see page 20 to decide if your contribution qualifies.

Physical presence in foreign country. A 1999 Oregon law change allows Oregon residents living in a foreign country to be taxed as nonresidents. Taxpayers who qualify may file amended returns to claim refunds for 1995 and later.

To qualify, you must meet the federal “physical presence” test or “bona fide residence” test. Generally, if you qualify for the federal earned income or housing exclusion for United States residents living abroad, you will qualify for Oregon nonresident treatment. Civil service and military personnel who meet one of the two tests may be Oregon nonresidents even though they cannot claim a federal exclusion. Please call for additional information. See page 36.

Blue ink. Throughout this booklet, there are special instructions to use blue ink when filling out forms or writing checks. Equipment used to scan documents cannot read certain colors of ink, especially red. Using blue ink will make the information on the forms easier to read and make processing faster. We appreciate your cooperation.

Filling in the blanks. There are instructions in this book about identifying items that don't have their own line; for example, other additions, other subtractions, and other credits. We have provided abbreviations for your convenience. You may use either the exact title of the item you are claiming or the abbreviation shown in brackets. This will allow us to process your return accurately without unnecessary delay or correspondence. If you do not see an item listed, please call us. See page 36.

General information

Should I file an Oregon return?

File if you have **any** income taxable by Oregon. Also file if you want a refund of the Oregon tax that was withheld from your wages.

What income does Oregon tax?

Full-year residents. Oregon taxes your income from **all sources**.

Part-year residents. Oregon taxes your income from **all sources** earned or received while you were an Oregon resident. Oregon also taxes your income from **Oregon sources** while you were a nonresident.

Nonresidents. Oregon taxes only your income from **Oregon sources**.

What does income from Oregon sources include?

It includes income shown on your federal return from:

- Wages, fees, or income for services performed in Oregon, except for wages described in the next section.

If your Oregon wages are not stated separately on your W-2, compute your Oregon source income using the following formula:

$$\frac{\text{Days actually worked in Oregon}}{\text{Days actually worked everywhere}} \times \text{Total wages} = \text{Oregon wages}$$

Do not include holidays, vacation days, and sick days as actual work days. **Do** include sick pay, holiday pay, and vacation pay in total wages.

Example: Jordan lives in Washington but works in Oregon. Out of 220 work days, she worked 132 days in

Oregon and 88 days in Washington. She earned \$50,000 in wages. She figured her compensation subject to Oregon tax as follows:

Total days paid	260
Less: Vacation days	(27)
Sick days	(5)
Holidays	(8)
Total days worked everywhere	<u>220</u>

$$\frac{\text{Days actually worked in Oregon}}{\text{Days actually worked everywhere}} \times \frac{\text{Total Wages}}{\$50,000} = \$30,000$$

Jordan's compensation reported in the Oregon column of Form 40N is \$30,000.

Other income from Oregon sources:

- Businesses, S corporations, and partnerships located in or doing business in Oregon.
- Oregon farms.
- Oregon estates and trusts.
- Sales of Oregon property.
- Rents and royalties for use of Oregon property.
- Community property income. If you are a resident of Oregon and your spouse is a resident of a state with community property laws, you may be subject to tax on part of your spouse's income.

Community property laws in the state where your spouse lives determine if you are taxed on any of your spouse's income. For example, Washington law recognizes the right of a husband and wife to keep separate earnings, as long as the earnings don't involve income from real property. You may need more information from the state where your spouse resides.

What income is not included in Oregon sources?

- Interest and dividends, unless they are from an Oregon business you own.
- **Interstate transportation wages** from an interstate railroad company, interstate motor carrier, or private motor carrier. You must be a nonresident and have regularly assigned duties in more than one state. You must be a driver, mechanic, freight handler, or someone who directly affects the safety of a commercial motor vehicle. See page 36 to order the information circular, "Interstate Transportation Wages."
- Oregon retirement income received while you were a nonresident.
- **Hydroelectric dam wages**, if you are a nonresident federal employee working on a dam that spans the Columbia River between Oregon and Washington.

Residency

Am I a resident, a nonresident, or a part-year resident? The following will help you decide:

You are a full-year **Oregon resident**, even if 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, and
- 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 1999. You are still a **full-year resident if**:

- You temporarily moved out of Oregon, or
- You moved back to Oregon after only a temporary absence.

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

- You are an Oregon resident who maintained a permanent home 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.

Oregon residents living in a foreign country. You are considered a nonresident for all or part of the year if you meet the federal "physical presence" test or "bona fide residence" test for residents of the United States living in a foreign country.

Military personnel

Nonresidents stationed in Oregon. Oregon doesn't tax your military pay while you are stationed in Oregon. File an Oregon Form 40N if you or your spouse had income from other Oregon sources or to claim a refund of Oregon tax withheld from your military pay. Nonresident members of the Oregon National Guard or reserves may only exclude active duty pay.

Residents stationed in Oregon. If you are an Oregon resident stationed in Oregon, file Form 40 from the Full-Year booklet.

Residents stationed outside Oregon. If you are an Oregon resident stationed outside Oregon, you may file **Form 40N** if you meet the requirements for special-case Oregon residents or Oregon residents living in a foreign country.

Write "Military nonresident" at the top left corner of your return in **blue** ink. Include any other income taxable by Oregon.

If you don't meet the listed requirements, file Form 40 in the full-year resident booklet.

More information. Oregon provides more detailed information for military personnel in an information circular. See page 36 to order forms and the information circular, "Military Personnel Filing Information."

What form do I use?

Use Form 40N if:

- You are a nonresident, or
- You are a special-case Oregon resident, or
- You and your spouse are filing a joint return and one (or both) of you is a nonresident, or
- You meet the military nonresident requirements explained above, or
- You qualified as an Oregon resident living in a foreign country for the entire year.

Use Form 40P if:

- You are a part-year resident, or
- You are filing a joint return and one spouse is a full-year Oregon resident and one is a part-year, or
- You are filing a joint return and both spouses are part-year Oregon residents, or
- You qualified as an Oregon resident living in a foreign country for part of the year.

Use Form 40 or 40S if:

- You are a full-year resident, or
- You and your spouse are both full-year residents filing jointly.

Forms 40 and 40S are available at many post offices, banks, and libraries in Oregon. To order Forms 40S and 40 and instructions, see page 36.

When should I file my return?

File as soon as possible. The filing deadline for calendar year 1999 is **April 17, 2000**. If you can't pay in full by the due date, file your return anyway to avoid additional penalty. Payment plans are available. See page 22.

For fiscal year filers, returns are due by the 15th day of the fourth month after the close of your tax year.

Need more time to file?

Generally, Oregon allows you the same extension you have for your federal return. If you filed a federal extension, check the box on the front of the Oregon return when you file. You are not required to send an extension form to Oregon **unless**:

- You are making a tax payment to Oregon.
 - Send us a copy of the federal extension with your Oregon payment by the filing deadline.
- You are filing an extension for Oregon only.
 - Send us federal extension Form 4868 by the filing deadline and write "For Oregon Only" across the top. Use Oregon amounts on the form. We'll notify you only if your extension is denied.

Send your extension form and payment by April 17, 2000 to: Extension Clerk, Oregon Department of Revenue, PO Box 14950, Salem OR 97309-0980.

- ✓ Be sure to check the extension filed box on the front of your Oregon return when you file.

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

You must pay the tax due when filing your extension. If you don't pay all of the tax due with your extension, you will owe **interest** on the unpaid balance after April 17, 2000, until the date you pay. The current interest rate is 9 percent per year (.75 percent per month). If the tax is not paid within 60 days of our bill, the interest rate increases to 13 percent per year.

Were you stationed in a designated combat zone? Did you receive additional time to file your 1999 federal return? If so, Oregon allows the same additional time to file. Write "combat zone" in **blue** ink at the top of the form.

Penalties

You will owe a 5 percent penalty on any 1999 tax not paid by April 17, 2000.

If you file more than three months late, an additional 20 percent penalty will be added; that is, you will owe a penalty of 25 percent of any tax not paid.

There is an exception to paying penalty. See the instructions for line 68, page 21.

A 100 percent penalty is charged if you don't file a return for three consecutive years by the due date of the third year including extensions. The penalty is 100 percent of the unpaid tax for each of the three years.

Estimated tax

You may owe interest on underpayment of estimated tax if you paid less than 90 percent of the tax due on each estimated tax payment date for 1999. Please see the instructions for line 69 on page 21.

Oregon estimated tax laws are different from federal estimated tax laws. Use Oregon instructions to determine if you need to make estimated tax payments for 2000. See page 35.

Elderly Rental Assistance (ERA)

You may qualify for an ERA refund if you: 1) were a renter who resided in Oregon on December 31, 1999; 2) were age 58 or older on December 31, 1999; 3) have household income less than \$10,000; 4) used more than 20 percent of your household income to pay for rent, fuel, and utilities; and 5) the dwelling you rented was subject to property tax. For more information, see page 36 to order an ERA booklet.

Are you self-employed?

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

Some of the page number references in the instructions will appear to be inaccurate. The reason for this is that I removed the forms from this instruction booklet. Please use the numbers at the bottom of each page.

Webmaster

Instructions for Forms 40N and 40P

Step 1: Select the appropriate form.

Please determine which form was designed for your situation. This will help ensure the proper calculation of your Oregon income, deductions, credits, and tax. The result will be the correct Oregon tax to pay or refund without unnecessary delays. If you are unsure whether to use Form 40N or 40P, please review “What form do I use?” on page 5. If you need more help, please call us. See page 36.

Step 2: Fill out your federal form.

Your Oregon tax is determined using the ratio of your Oregon-related income to your entire federal income. **Fill out your federal return first**, then your Oregon return. You must attach a copy (front and back) of your federal 1040, 1040PC, 1040A, 1040EZ, or Telefile Tax Record 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 both your federal and state returns. Also, keep all receipts, cancelled checks, statements, and other records you used to prepare your return for at least three years after you file your return. Save records for property and investments you purchased for at least three years after you sell the property.

Step 3: Start the Oregon form.

Fiscal year filers

Write “Fiscal year” in the center at the top of the form in blue ink. Be sure to fill in the dates of your fiscal year.

Address section

Please type or legibly print your name, address, telephone number, and correct Social Security number on your return.

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

Year of birth. Enter the four digits of the year you were born. For example, “1943.”

Filing status

Check the box next to your filing status. If filing as **head of household**, enter the name of the qualifying person from your federal return by box 4.

Generally, you must check the **same filing status** you checked on your federal return. **Exception:** If you and

your spouse don't have the same residency status, you may file separate returns for Oregon even if you filed your federal return as married filing jointly.

How to file separate returns for Oregon:

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

If you **file separate returns for Oregon only**, report your own share of income and deductions. Also, report your share of any Oregon additions or subtractions. To figure your federal tax subtraction or itemized deductions, use the following formula:

$$\frac{\text{Your share of federal AGI}}{\text{Joint federal AGI}} = \text{Your percentage (not to exceed 100\%)}$$

Write “MFS for Oregon only” at the top of the form in **blue** ink. Attach the following to both Oregon returns:

- A federal Form 1040 or 1040A prepared **as if** you had filed married filing separately, and
- A copy of the joint Form 1040, 1040PC, 1040A or 1040EZ you **actually** filed.

If possible, mail both Oregon returns in the same envelope. **Do not** staple the returns together.

For assistance or to order the information circular, “Married Persons Filing Separate Returns,” see page 36.

Exemptions

6a) & 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. Enter “0” on line 6a.

Severely disabled. If you had a severe disability at the end of 1999, 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 are permanently blind.
- You have a permanent condition that, without special equipment or help, limits your ability to:
 - earn a living, **or**
 - maintain a household, **or**
 - transport yourself.

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

You don't qualify for this exemption if either of the following applies:

- 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 severe disability that is permanent, your physician must write a letter describing your disability. Keep the letter with your permanent health 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 loss of use of limbs. See page 36 for taxpayer assistance.

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

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

- Qualify as your dependent.
- Be age 17 or younger on December 31, 1999.
- Be eligible for “early intervention services” or certified with a disability for special education purposes. **Learning disabilities alone don’t qualify for this exemption.**
- Your child must have a health-related disability requiring special education as defined by the Oregon Department of Education, such as autism, hearing, visual or orthopedic impairment, trainable mental retardation, serious emotional disturbance, traumatic brain injury, or multiple disabilities.
- Your child must have been certified as of December 31, 1999, through the child’s local school district by a qualified examiner authorized by the Oregon Department of Education.

Keep a copy of the child’s statement of eligibility and cover sheet of your child’s Individualized Education Program (IEP) or Individualized Family Service Plan (IFSP) with your permanent health records.

Write in your child’s name on line 6d, “Disabled children only.” Also, be sure to include the child as a dependent in the total for line 6c.

7 Age 65 or older, or blind. Check the boxes on line 7 if you or your spouse were age 65 or older, or were blind on December 31, 1999. Check the same boxes you checked on the back of your federal return. You are entitled to a larger standard deduction. If you or your spouse are blind, you may also qualify for an additional exemption credit. See lines 6a and 6b on page 11.

Step 4: Income Line instructions.

The following instructions are for lines 8–30, Form 40N or 40P, if not fully explained on the form.

You may round off cents to the nearest whole dollar. For example, \$12.15 becomes \$12 and \$233.50 becomes \$234.

The forms have two columns for figures. These lines are used to compare the portion of your federal adjusted gross income that Oregon taxes to your total federal adjusted gross income.

Federal column income

The first column is labeled “Federal column.” In this column, lines 8 through 28, follow the instructions on the form to fill in the same amounts you reported on your federal return. Line 30, Income after adjustments, must match your 1999 federal adjusted gross income from Form 1040 or 1040PC, line 33; Form 1040A, line 18; Form 1040EZ, line 4; or Telefile Tax record, line I. If it does not match, please check your figures, then see page 36 for numbers to call.

Oregon column income

The second column is labeled, “Oregon column.” List the amount that Oregon taxes in this column.

Remember:

Nonresidents. Oregon taxes only your income from **Oregon sources.** See “What does income from Oregon sources include?” on page 4.

Full-year residents. Oregon taxes your income from **all sources.** All amounts included in the federal column should also be included in the Oregon column.

Part-year residents. Oregon taxes your income from **all sources** earned or received while you were an Oregon resident. Oregon also taxes your income from **Oregon sources** while you were a nonresident.

8 Wages, salaries, and other pay for work. Nonresidents—fill in the amount earned while working in Oregon. If that amount differs from the Oregon wages on your W-2 form, you **must** attach an explanation from your employer to the back of your return. If your Oregon wages are not stated separately on your W-2, compute your Oregon source income using the following formula:

$$\frac{\text{Days actually worked in Oregon}}{\text{Days actually worked everywhere}} \times \frac{\text{Total wages}}{\text{wages}} = \text{Oregon wages}$$

Do not include holidays, vacation days, and sick days as days actually worked. **Do** include sick pay, holiday pay, and vacation pay in total wages. See the example on page 4.

Part-year residents—fill in amounts you earned while an Oregon resident and any amounts you earned working in Oregon while you were a nonresident.

Full-year residents—fill in all income included in the federal column.

Exceptions:

- See “Interstate transportation wages,” page 5, to see if you qualify to exclude this income.
- Nonresident federal employees who work on either Bonneville, The Dalles, John Day, or McNary dams should exclude this income from the Oregon column. Write the name of the dam you work on at the top left corner of the return. Please use **blue ink**.

9 Taxable interest and dividend income.

- 9a. **Interest:** Determine the amount of interest income you received while you were a nonresident on funds used for business activity in Oregon. Add to that any interest included on your federal return that you received during any portion of the year you were an Oregon resident.
- 9b. **Dividends:** Determine the amount of dividends received from an Oregon source while you were a nonresident. This includes dividends passed through to you from an S corporation or partnership doing business only in Oregon. These are dividends your S corporation or partnership received on the stock of another corporation. Add to that any dividend income included on your federal return that you received during any portion of the year you were an Oregon resident.

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

10 State and local income tax refunds. Fill in the portion of the amount reported on your federal return that is: 1) a refund from Oregon or any other state or locality for which you claimed a deduction on an Oregon return in a prior year, or 2) a refund received during any portion of the year you were an Oregon resident.

11 Alimony received. Fill in alimony you received for any portion of the year you were an Oregon resident.

12 Business income or loss. Determine the amount of income or loss from an Oregon business activity. This includes apportioned business income and allocated nonbusiness income from sole proprietorships. Add to that all business income or losses incurred for any portion of the year you were a resident of Oregon.

13 Capital gain or loss. Determine the amount of gain or loss from Oregon sources and capital gain distributions from Oregon sources. Add to that the amount of your capital gains and losses received during any portion of the year you were an Oregon resident. Limit losses to \$3,000 (\$1,500 if married filing separately).

14 Other gains or losses. Determine the amount of gain or loss from Oregon sources. Add to that the gain received or loss incurred for any portion of the year you were an Oregon resident.

15 Total IRA distributions. Determine the amount of any taxable individual retirement arrangement (IRA) distributions received for the portion of the year you were an Oregon resident. Include any amounts you converted from a regular IRA into a Roth IRA while you lived in Oregon. You may need more information. Please see page 36 for telephone numbers to call.

16 Pensions and annuities. Include only the amount of taxable pensions and annuities you received during the portion of the year you were an Oregon resident. Include all federal pension income you received while a resident. If you are a full-year nonresident, do not include any retirement income. If you are a full-year or part-year resident and included any federal retirement income, you may be able to subtract some or all of it on line 38. See the instructions for line 38 on page 23. If you need more information, see page 36 for numbers to call.

17 Rents, royalties, partnerships, estates, trusts, etc. from federal Schedule E. Determine the amount of rent, royalty, REMIC, partnership, S corporation, estate, and trust income you received from Oregon sources during any portion of the year you were not a resident. Add to that the amount received for any portion of the year you were an Oregon resident. Partnership and S corporation income is generally considered earned and received on the last day of the partnership or S corporation's taxable year. If you were an Oregon resident at the partnership's or S corporation's year-end, report all of that income or loss to Oregon.

18 Farm income or loss. Determine the amount of income or loss received from an Oregon farm while you were a nonresident. Add to that the amount of farm income or loss received during any portion of the year you were an Oregon resident.

19 Unemployment compensation, taxable Social Security, and all other taxable income. Don't fill in any Social Security, Railroad retirement benefits, or Railroad unemployment benefits. Oregon doesn't tax this income. Determine the amount of any unemployment benefits and any other taxable income you received during the portion of the year you were an Oregon resident. Add to that figure any unemployment benefits received because of an Oregon job and any other Oregon income you received while you were a nonresident.

Adjustments to income

21 IRA or Keogh contributions. Oregon follows the federal definition of earned income and compensation used to calculate your IRA and Keogh deductions.

Determine the amount you paid during any portion of the year you were an Oregon resident. Add to that the amount calculated for the time you were a nonresident.

IRA. For any part of the year you were a nonresident, multiply your federal IRA deduction by the amount of compensation earned in Oregon divided by your compensation from all sources.

$$\frac{\text{Oregon compensation}}{\text{Total compensation}} \times \text{Federal IRA deduction} = \text{Oregon deduction}$$

This deduction cannot exceed the amount of Oregon compensation included in the Oregon column.

Keogh. For the part of the year you were a nonresident, multiply your federal Keogh deduction by the amount of earned income from Oregon sources divided by your earned income from all sources.

$$\frac{\text{Oregon earned income}}{\text{Total earned income}} \times \text{Federal Keogh deduction} = \text{Oregon deduction}$$

The deduction cannot exceed the amount of earned income included in the Oregon column.

22 Student loan interest. For any part of the year you were a nonresident, multiply your interest paid for that time period by the Oregon income divided by the total income for that same period. Use the Keogh formula above. Add to that all interest paid during any portion of the year you were an Oregon resident. Enter the lesser of the result or the amount deducted on your federal return.

23 Medical savings account contributions. Use the IRA formula above to figure the portion of the federal deduction allowed for Oregon while you were a nonresident. Add to that the federal deduction amount for any part of the year you were an Oregon resident. The deduction can't be more than your Oregon income, Oregon column, line 20.

24 Moving expenses. Fill in moving expenses only if they are connected with gaining employment in Oregon or moving to Oregon to take a job in another state. Otherwise, enter -0-. For example, if you moved from California to Washington **to take a job in Oregon**, fill in your allowable moving expenses in the Oregon column. If you left Oregon to take a job in another state, you cannot deduct your moving expenses.

25 Deduction for self-employment tax. Determine the amount of your self-employment tax on earnings from Oregon sources for any portion of the year you were not a resident. Use the following formula:

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

Add to that the portion of your federal self-employment tax deduction related to income earned during any portion of the year you were an Oregon resident.

The Oregon deduction cannot exceed the federal deduction.

26 Self-employed health insurance deduction. Total Oregon source health insurance premiums are those premiums paid for by an Oregon business. The deduction is limited to the income earned from the business for which the insurance plan was established.

Use the following formula:

$$\frac{\text{Total Oregon source health insurance premiums}}{\text{Total Oregon source health insurance premiums}} \times 60\% (.60) = \text{Oregon deduction}$$

27 Penalty on early withdrawal of savings. Fill in the amount of penalty related to savings used by an Oregon business.

28 Alimony paid. Determine if the alimony you pay is taxable (for federal purposes) to your former spouse. If so, for any portion of the year you were not an Oregon resident, figure the Oregon deduction as follows:

1. Divide Oregon source income you received while you were a nonresident by your total income for that same portion of the year;
2. Multiply this percentage by the alimony you paid while you were a nonresident; and
3. Add the alimony you paid while you were a resident. Enter the total on line 28 in the Oregon column.

40P filers go to page 23 to complete Form 40P.

40N filers continue on next page (15).

Form 40N, lines 31–80 instructions

For general Form 40N instructions and lines 1 through 30, see page 11.

Additions

Oregon treats these items differently from the federal government.

31 Interest on government bonds of states other than Oregon.

Federal column. If you didn't include this interest in your federal income, fill in the interest you received from state and local governments outside of Oregon.

Oregon column. Nonresidents—don't fill in any amount. Full-year and part-year residents—if you didn't include this interest in your federal income, fill in the amount of interest you received from states and local governments outside of Oregon while you were an Oregon resident.

32 Federal election on interest and dividends of a minor child.

Did you choose to report the interest and 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 your Oregon income.

Federal column. Fill in the smaller of line 7 or 8 from federal Form 8814.

Oregon column. Nonresidents—don't fill in any amount. Full-year and part-year residents—fill in interest and dividends received while the minor child was an Oregon resident. This includes interest and dividends from state and local governments other than Oregon that your child received while an Oregon resident.

33 Other additions.

You may qualify for one or more other additions explained below. Please identify the addition(s) in the space on the form using the title shown in bold or the abbreviation shown in brackets. If you have more than one, show the type and amount of each addition. Fill in the total amount of other additions on line 33.

- **Unused business credits** [UBC]. If you claimed a deduction on your federal return for unused business credits, you must add this amount to Oregon income. Include it in both the federal and Oregon columns.
- **Difference in depreciation for Oregon** [Dif dep]. You may need the Oregon Depreciation Schedule. See page 36 to order the schedule.

Federal column. Is your Oregon depreciation **less** than your federal depreciation? If so, on line 33, fill in

the amount from the Oregon Depreciation Schedule, line 2. If not, see the instructions for line 38.

Oregon column. On line 33, fill in the amount from the Oregon Depreciation Schedule relating to income taxable by Oregon.

- The following additions apply to only a few people and are not explained in this booklet. Make the additions in **both** the federal and Oregon columns. If you need help, see page 36 for telephone numbers to call.
 - Gain or loss on the sale of depreciated property with an Oregon basis that is different from the federal basis [Basis diff].
 - Depletion in excess of basis [Depl].
 - Gain on sale of inherited Oregon farm or forest property acquired from a decedent who died before January 1, 1987 [Inher F/F].
 - Lump sum distributions [Lump-sum].
 - Gain on certain involuntary conversions [Invl gain].
 - Passive activity losses [PAL].
 - Fiduciary adjustments from Oregon estates and simple or complex trusts [Fid].
 - Previously deferred reinvested capital gain [Prev DRCG].

Subtractions

Oregon treats these items differently from the federal government.

37 Subtract Social Security and Tier 1 Railroad retirement benefits **only** if you included them on line 19.

38 Other subtractions.

You may qualify for one or more other subtractions explained below. Please identify the subtraction in the space on the form using the title shown in bold or the abbreviation shown in brackets. If you have more than one, show the type and amount of each subtraction. Fill in the total amount of "**Other subtractions**" on line 38.

- **Federal pension** [Fed Pen]. If you have federal pension income, see page 23 for Form 40P, line 38 instructions.
- **Difference in depreciation for Oregon** [Dif dep]. You may need the Oregon Depreciation Schedule. See page 36 to order the schedule.

Federal column. Is your Oregon depreciation **more** than your federal depreciation? If so, on line 38a, fill in the amount from the Oregon Depreciation Schedule, line 2. If not, see the instructions for line 33.

Oregon column. On line 38b, fill in the amount from the Oregon Depreciation Schedule, line 2, relating to income taxable by Oregon.

- **Military active duty pay** [Military]. You may qualify for three different subtractions.

1. You can subtract active duty pay earned anywhere in the world **outside** of 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 these instructions were published.

Federal column. Fill in the amount of active duty pay earned outside of Oregon that is included in federal income, line 8. Write “combat zone” in the center at the top of your return in blue ink.

Oregon column. Nonresidents—don’t fill in any amount. Full-year and part-year residents—fill in your U.S. military active duty pay earned outside of Oregon that is included in line 8, Oregon column.

2. If you were an Oregon resident who entered the military for the first time in 1999 or left the military during 1999, you may subtract active duty pay earned outside of Oregon.

Federal column. Fill in the amount of active duty pay earned outside of Oregon that is included in federal income, line 8.

Oregon column. Nonresidents—don’t fill in any amount. Full-year and part-year residents—fill in your U.S. military active duty pay earned outside of Oregon that is included in line 8, Oregon column.

3. Whether or not you are eligible for the other military subtractions, you may still subtract up to \$3,000 of active duty pay.

Federal column. Fill in your U.S. military active duty pay included in your federal income. 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 National Guard or reserves and your Form W-2 doesn’t show a separate amount for active duty pay, contact your paymaster.

Oregon column. Nonresidents—don’t fill in any amount. Drill pay and weekend meeting pay for nonresident members of the Oregon National Guard or Reserves may not be subtracted. Report that pay in the Oregon column, line 8. Full-year and part-year residents—fill in your U.S. military active duty pay that is included in line 8, Oregon column.

Note: Your total active duty pay subtractions cannot exceed your total active duty pay income.

- **Interest and dividends from the U.S. government** [US int].

Federal column. Fill in interest and dividends from the U.S. government that you included on your federal return. Include U.S. government interest you received

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 securities. Check the information on your Form 1099. The payer may have given the percentage of interest and dividends from U.S. government securities. U.S. government interest must be reduced by any interest expense relating to U.S. government obligations you deducted on your federal Schedule A. Don’t include interest on federal tax refunds in either column. If you elected to report interest or dividends of your minor child on your federal return, you may subtract any U.S. government interest included.

Oregon column. If you included interest and dividends from the U.S. government on line 9 of the Oregon column, fill in this amount of U.S. government interest on line 38.

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

- **Local government bond interest** [LGBI].

Federal column. The U.S. government taxes certain types of local government bond interest such as private activity bond interest. If you included income from Oregon bonds on your federal return, deduct it on this line.

Oregon column. Fill in Oregon local government bond interest if you included it in Oregon income on line 9.

- **Oregon tax refund included in federal income** [OR ref]. This subtraction is for **Oregon** income tax refunds only.

Federal column. Fill in your Oregon income tax refund **only** if you included it on line 10 of the federal column.

Oregon column. Fill in your Oregon income tax refund **only** if you included it on line 10 of the Oregon column.

- **Railroad retirement benefits** [RR].

Federal column. Fill in your Tier 2, supplemental, windfall, and dual-vested Railroad retirement benefits included on line 16 of the federal column. Fill in Railroad unemployment benefits included on line 19.

Oregon column. Don’t fill in any amount. These are not included in Oregon income. See page 13, line 19. Oregon does not tax Railroad retirement benefits or Railroad unemployment benefits.

- **Oregon Lottery** [OR lott]. Oregon does not tax Oregon Lottery and Powerball winnings of \$600 or less per winning ticket, or winnings on tickets purchased before January 1, 1998.

Federal column and Oregon column. Nonresidents—fill in all Oregon Lottery winnings included on line 19. Full-year and part-year residents—fill in Oregon Lottery winnings included on line 19 of \$600 or less if the winning ticket was purchased on or after January 1, 1998 while an Oregon resident. Add to that all winnings from tickets purchased before January 1, 1998.

Are you claiming gambling losses as an itemized deduction? If so, you may also need to reduce them. See instructions for line 46, page 18. If you need help, see page 36 for telephone numbers to call.

- The following subtractions apply to only a few people and are not explained in this booklet. Make the subtraction in **both** the federal and Oregon columns if the related income was included in both columns. See page 36 for taxpayer assistance.
 - Logging and construction commuting costs [LCCC].
 - Income earned by an enrolled member of an American Indian tribe while living on and working on an Oregon reservation or land held in trust by the United States for a tribe [Indian].
 - Gain or loss on the sale of depreciated property with an Oregon basis that is different from the federal basis [Basis diff].
 - Business expenses reduced because of federal tax credits (e.g., targeted jobs, work opportunities) [Fed expl].
 - Deferral of reinvested capital gain on Oregon business property [DRCG].
 - Passive activity losses [PAL].
 - Fiduciary adjustments from Oregon estates and simple or complex trusts [Fid].
 - Certain pension distributions when the contributions were taxed by another state [Prev tax].
 - Underground storage tank pollution grants [Tank].
 - Gain on certain involuntary conversions previously reported [Prev DRCG].

40 Oregon percentage. Divide the amount on line 39b by the amount on line 39a. Round the decimal to three places. Write the percentage on line 40. Don't fill in more than 100 percent or less than -0-.

Example	Line 39b	Line 39a	Oregon percentage Line 40
1	\$8,000	÷ \$30,000	= .267 (26.7%)
2	(1,000)	÷ 15,000	= -0- (0%)
3	20,000	÷ 15,000	= 1.000 (100.0%)

Deductions and modifications

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

41 Itemized deductions. Generally, you may claim your total itemized deductions shown on federal Schedule A, line 28. You may itemize for Oregon even if you don't have enough deductions to itemize on your federal return. **If you itemize for Oregon only,** fill out a federal Schedule A. Use your federal adjusted gross income to figure the Schedule A limitations. Keep the Schedule A with your tax records.

Note: Married people filing separate returns must itemize deductions if their spouse itemizes. Are you filing separate returns for Oregon only? If so, determine your share of itemized deductions by multiplying your total joint deductions by the percentage you figured on page 11. You may separate each spouse's itemized deductions if you can clearly identify your own itemized deductions.

42 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, line 5. Also, if you claim a credit for income taxes paid to another state, include the other state's tax after credits or the other state's tax claimed as an itemized deduction, whichever is less. See part-year instructions for line 59 on page 28.

Did you limit itemized deductions on your federal return because your adjusted gross income (AGI) exceeded \$126,600 (\$63,300 if married filing separately)? If so, you may need to complete a worksheet to figure how much Oregon income tax to subtract from itemized deductions. See page 36 to order the information circular, "Limit on Itemized Deductions."

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

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

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

1. Your earned income plus \$250, but no more than the maximum allowed for your filing status as shown above, or
2. \$700.

The limit applies even if you can be, but are not, claimed as a dependent on another person's return.

Each taxpayer and each spouse who is age 65 or older is allowed an additional deduction amount. Each taxpayer and each spouse who is blind is also allowed an additional deduction amount. The additional amount is based on your filing status:

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

45 **1999 federal tax liability.** Carefully follow the instructions below. Don't confuse your **federal tax liability** from your federal return with the **federal tax withheld** on your Form(s) W-2. They aren't the same.

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

1. Fill in your federal tax liability from Form 1040 or 1040PC, line 49; Form 1040A, line 32; Form 1040EZ, line 10; or Telefile Tax Record, tax from second box, line K. 1. _____
2. Fill in \$3,000 (\$1,500 if married filing separately). 2. _____
3. Fill in the lesser of line 1 or line 2 here and on line 45. 3. _____

On your federal return did you have:

- Alternative minimum tax, Form 1040, line 51?
- Tax on qualified retirement plans, Form 1040, line 53?

If so, include these in your federal tax liability on line 1 above.

Caution: Don't add:

- Self-Employment tax, Form 1040, line 50.
- Social Security and Medicare tax on tips, Form 1040, line 52.
- Advance earned income credit payments, Form 1040, line 54, or Form 1040A, line 33.
- Household employment taxes, Form 1040, line 55.

If you file married filing separately for Oregon only, multiply your joint federal tax liability (after credits) by the percentage calculated on page 11. Each spouse is limited to a maximum subtraction of \$1,500.

Did you pay additional federal tax in 1999 because you were audited or you filed an amended return? If so, read the instructions for line 46, "Other deductions and modifications."

46 **Other deductions and modifications.** Only a few people have other deductions and modifications. Some of these items are multiplied by the Oregon percentage. Enter these amounts on Form 40N, line 46. Others are not multiplied by the Oregon percentage. Enter these amounts on line 49. Please identify the deduction or modification in the space on the form using the title shown in bold or the abbreviation shown in brackets. If you have more than one, show the type and amount of each. Modifications can be either additions or subtractions. Net the total amount of these items and enter that amount on this line. If it is an addition, please clearly bracket it. For example, "[200]."

- **Federal tax from a prior year** [Prior fed]. Did you pay additional federal tax in 1999 because you were

audited or because you amended a prior year return? If so, you may be able to deduct the additional tax. This deduction applies only to additional tax you paid because your return was changed. It doesn't include the tax you paid on the original return or interest or penalties you paid.

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

Step 1: From \$3,000 (\$1,500 if married filing separately) **subtract** your federal tax, Form 40N, line 45, or Form 40P, line 46.

Step 2: On Form 40N, line 46, or Form 40P, line 47, fill in the lesser of:

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

- **Foreign tax** [Foreign]. Did you pay tax to a foreign country in 1999? You may deduct this tax if you:

- Took a foreign tax credit on your federal return, **or**
- Didn't take a foreign tax credit **and** didn't itemize deductions on your federal return.

To figure your foreign tax deduction, follow these steps:

Step 1: From \$3,000 (\$1,500 if married filing separately) **subtract:**

- Your federal tax, Form 40N, line 45, or Form 40P, line 46, **and**
- Your federal tax from a prior year (see instructions above).

Step 2: On Form 40N, line 46, or Form 40P, line 47, fill in the lesser of:

- The amount you figured in step 1, **or**
- Your foreign tax.

Caution: If you claim foreign tax as an itemized deduction on your federal return, don't claim an additional deduction on your Oregon return.

The sum of your foreign tax deduction and your federal tax deduction can't be more than \$3,000.

- **Gambling losses claimed as an itemized deduction** [Gambling]. Did you have winnings from the Oregon Lottery or Powerball and claim gambling losses on your federal Schedule A? If so, fill in and clearly bracket on line 46 the gambling losses that exceed gambling winnings **taxed** by Oregon.

- **Federal income tax refunds** [Fed Ref]. Did you get a federal tax refund in 1999 because you filed an **amended** federal return for a **prior** year or you were **audited**? If so, fill in and clearly bracket the amount on line 46 if you subtracted that amount on a prior Oregon return. If you need help, see page 36 for telephone numbers to call.

- **Special Oregon medical deduction** [OR med]. You may qualify for an additional Oregon itemized deduction for medical expenses. You or your spouse must be age 62 or older by December 31, 1999. You must itemize your deductions for Oregon. Fill in the lesser of line 1 or line 3 from your federal Schedule A.

49 Deductions and modifications not multiplied by the Oregon percentage. Artists who make a charitable art donation may take a full deduction. Label it "Charitable art donation" or [Art]. To order the information circular, "Art Contribution Subtraction," please call us. See page 36 for telephone numbers.

Oregon tax

52 Oregon tax. Figure the tax on your Oregon taxable income, line 51. Use the rate charts on page 30. Fill in the amount of tax on line 52.

Example: A married couple's Oregon taxable income, line 51, is \$19,500. They are filing jointly. They use chart B for married filing jointly. They figure their tax like this:

Oregon taxable income	\$19,500
Subtract	-11,800
	<hr/> 7,700
Multiply by 9%	× .09
	<hr/> 693
Then add	+ 732
Their Oregon tax is	<hr/> <u>\$ 1,425</u>

53 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 for federal. The current interest rate is 9 percent per year.

See page 26, Form 40P, line 52 instructions for more information. Enter the amount on line 53.

Credits

You must prorate some Oregon credits on your return. This means you need to multiply your total credit by your Oregon percentage, line 40, to figure the amount you can claim on your Oregon return. The credits that must be prorated are:

- Exemption.
- Earned income.
- Working family.
- Child and dependent care.
- Elderly or the disabled.
- Farmworker housing.
- Fish habitat improvements.

- Fish screening devices.
- Residential energy devices.
- Rural medical practitioners, dentists, or optometrists.

56 Earned income credit. You are allowed an Oregon earned income credit **only** if you qualify for and claim the earned income credit on your federal return. Your Oregon credit is 5 percent of your federal credit. For example, if your federal credit is \$400, your Oregon credit is \$20 ($\$400 \times .05$).

Use the following formula to compute your credit:

1. Enter your federal earned income credit (Form 1040EZ, line 8a; Form 1040A, line 37a; Form 1040 or 1040PC, line 59a; or Telefile Tax Record, line L). 1. _____
2. Decimal amount. 2. .05
3. Multiply line 1 by line 2. Enter result here. 3. _____
4. Multiply line 3 by the Oregon percentage (Form 40N, line 40). Enter here and on Form 40N, line 56. 4. _____

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

57 Working family credit. This credit is available to low income families with **qualifying child care expenses**.

Qualifications

You qualify for this credit if **all** the following are true:

- Your federal adjusted gross income is less than the limit for your household size (see tables on page 27);
- Your expenses are for your child under age 13, (or for your disabled child, see page 12);
- Care is not provided by the child's parent or guardian (unless provided in a licensed or registered child care facility);
- Care is not provided by the qualifying child's brother or sister under age 19;
- You have earned income of at least \$6,150;
- You have less than \$2,350 of investment income (investment income is generally interest, dividends, and capital gains); and
- If you are married filing separately, you must be legally separated or living apart on December 31, 1999.

Use the following worksheet to figure your credit:

Household size

1. Enter the number of exemptions reported on your federal return. 1. _____
2. Add any children who live with you, but for whom you cannot claim an exemption. 2. _____

3. Line 1 plus line 2. This is your household size. 3. _____

Credit amount

4. Enter your federal adjusted gross income (Form 1040EZ, line 4; Form 1040A, line 18; Form 1040 or 1040PC, line 33; or Telefile Tax Record, line I). 4. _____

5. Enter total child care expenses you paid in 1999. 5. _____

6. Enter the decimal amount from the correct table on page 27. The tables are based on household size (line 3 from above). For example, if the amount on line 3 is 7, use Table 7. 6. _____

7. Multiply line 5 by line 6. 7. _____

8. Multiply line 7 by the Oregon percentage (Form 40N, line 40). Enter here and on Form 40N, line 57. 8. _____

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

58 Credit for income taxes paid to another state. Oregon will allow a credit for income taxes paid to another state on Form 40N if you meet **all** of the following:

- a. You are a nonresident of Oregon,
- b. You are a resident of Arizona, California, Indiana, or Virginia, **and**
- c. You have income that is taxed by both Oregon and your resident state.

See page 28 of the Form 40P instructions to figure your credit.

If your income is taxed by Oregon and a state not listed above, you may be eligible for a credit from your resident state. For more information, contact your resident state.

59 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. In most cases, you cannot claim the credit if you are married filing separately. Use the following worksheet to figure your credit for Oregon.

1. Enter the amount from federal Form 2441, line 6, or Form 1040A, Schedule 2, line 6. 1. _____

2. Enter the decimal amount from the following table. 2. _____

If your federal taxable income from Form 1040, line 39, or Form 1040A, line 24 is:

Over—	But not over—	Your decimal amount is:
—	\$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 amount on line 1 by the decimal amount on line 2. Enter here. 3. _____

4. Multiply line 3 by the Oregon percentage from Form 40N or Form 40P, line 40. Enter the result on Form 40N, line 59, or Form 40P, line 58. 4. _____

Note: Did you pay 1998 child care expenses in 1999? If so, you may be able to use that amount to increase your 1999 Oregon child and dependent care credit. Please call us for more information. See page 36.

Carryforward. Your total 1999 child care credit can't be more than your 1999 tax liability for Oregon. Any excess 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 60.

60 Other credits. You may qualify for other credits explained below. Please identify the credit in the space on line 60 using the title shown in bold or the abbreviation shown in brackets. If you have more than one, show the type and amount of each credit.

- **Retirement income credit [RIC].** Nonresidents are not eligible for this credit. The credit can be claimed by an eligible full-year or part-year resident when filing jointly with a nonresident spouse on Form 40N. See part-year instructions, line 57, on page 26.

- **Child and dependent care credit carryover from prior years [C/O-CDC].** Fill in the amount of the carryover on Form 40N or Form 40P, line 60. The amount of prior year carryover plus your current year's credit can't exceed your Oregon tax liability. If it does, the excess credit can be carried forward over the next five years. If the excess isn't used within five years, it's lost.

- **Political contribution credit [PCC].** Include your total political contributions but not more than \$100 on a joint return, or \$50 on all others. The contributions must have been made during 1999. They must have been donations 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; or a political action committee.

- **Credit for the elderly or the disabled** [OR CED]. The credit is 40 percent of the federal credit. Multiply the amount from federal Schedule R, line 20, or Form 1040A, Schedule 3, line 20, by 40 percent (.40). Then multiply the result by the Oregon percentage on Form 40N, line 40. You may claim this credit or the retirement income credit, but not both.

The following credits apply to only a few people. Some are prorated and some aren't. See page 36 for taxpayer assistance information.

These credits are:

- Bone marrow donation programs [Marrow].
- Business energy [Bus en].
- Child development [Ch dev].
- Crops donated to gleaning cooperatives [Crops].
- Dependent care assistance [DCA].
- Farmworker housing [Farm hsng].
- First Break Program [1 break].
- Fish habitat improvements [Fish hab].
- Fish screening devices [Fish scrn].
- Gain from the sale of your house also taxed by another state or country [Hse gain].
- Home care for the elderly [HCE].
- Reclaimed plastics (investment in capital assets) [Rec plas].
- Involuntary moving of an Oregon mobile home [Mobile hm].
- Loss of use of limbs [Limbs].
- Pollution control facilities [Poll fac].
- Pollution prevention credit [Poll prev].
- Reforestation of underproductive forest lands [Reforest].
- Residential energy devices [Res en].
- Rural medical practitioners, dentists, or optometrists [Rural med].

Tax payments, penalties, and interest

63 **Oregon income tax withheld.** Fill in the total Oregon tax withheld from your wages and other income. That's the amount shown on your Form(s) W-2 or 1099. Don't use the FICA (Social Security) tax withheld from your pay. Don't use tax withheld from your wages by other states. Staple a **readable copy** of your Form W-2 from each job and any 1099 showing Oregon income tax withheld to the lower front of your return.

If you don't have a Form W-2 or 1099, you must provide other proof of any Oregon tax withheld. Proof may include a final paycheck stub or a letter from your employer. If you file before February 1, 2000, we can accept only Form(s) W-2 or 1099 as proof of Oregon tax withheld.

64 **Estimated tax payments for 1999.** Fill in the total Oregon estimated tax payments you made

before filing your 1999 Oregon return. Include any payments made with your extension. Also, include any refund applied from your 1998 income tax return.

68 **Penalty and interest.** Your return is due April 17, 2000, unless you file for an extension.

Penalty. Include a penalty payment if you:

- Mail your tax payment after April 17 (even if you have an extension).
- File your return showing 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 after the due date or the due date on your extension, add an additional 20 percent penalty.

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

1. Get an extension of time to file your return.
2. Pay at least 90 percent of the tax due by April 17, 2000.
3. Pay the balance of tax due at the time you file within the extension period.
4. Pay the interest on the balance of tax due at the time you file your return or within 30 days of our billing date.

Interest. If you are paying your tax after April 17, 2000, include interest on any unpaid tax. An interest period is each full month starting with the day after the due date. For example, April 18, 2000 through May 17, 2000 is a full month. The current interest rate is .75 percent per month (9 percent per year). If the tax is not paid within 60 days of our bill, the interest rate increases to 13 percent per year.

Interest is figured daily for periods of less than a month.

$$\text{Tax} \times .000247 \times \text{number of days}$$

69 **Interest on underpayment of estimated tax.** You have an underpayment if you pay less than 90 percent of the tax due on each estimated tax payment date. If you have an underpayment, you must file Oregon Form 10, "Underpayment of Oregon Estimated Tax." See page 36 to order this form.

Use Form 10 to figure the amount of interest you owe or to see if you qualify for an exception to the payment of this interest.

You don't have an underpayment if you owe less than \$500 tax on your 1999 return after you subtract your credits and Oregon tax withheld.

71 **Amount-you-owe.** Make your check or money order payable to "**Oregon Department of Revenue**" and attach it to your return on top of the Form(s) W-2. Please use blue ink. Do not use red ink.

Do not make your check out to "IRS" or "Internal Revenue Service." Write your correct Social Security number and "1999 Oregon Form 40N" on your check. **Don't send cash or postdated checks.** If the amount is less than \$1, no payment is required.

Special instructions. Do you owe interest on line 69 and have an overpayment on line 66? If your overpayment is less than the interest due, fill in the result of line 70 minus line 66.

Stop here on the form.

72 Refund. You must have a refund of \$1 or greater on line 72 to use lines 73–78.

73 Estimated tax. If your refund on line 72 is \$1 or more, you may apply part or all of it to your 2000 estimated tax. Fill in the amount you want to apply. But don't fill in less than \$1 or more than the amount on line 72.

74 – 78 You may donate part or all of your refund to the charitable organizations listed on the form. Descriptions of each charity are on page 29. **A donation will reduce your refund.** If you don't have a refund on line 72 but want to contribute, mail your donations to the addresses shown on page 29.

80 Net refund. You must **reduce your refund** by any amounts applied to 2000 estimated tax and donations on lines 73–78. By law, the Oregon Department of Revenue cannot refund amounts less than \$1. Generally, the department cannot issue a refund when the return is filed more than three years after the due date of the return.

To avoid processing delays, remember to:

Type or legibly print your name, address, and correct Social Security number on the return.

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

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

Staple readable copies of Form(s) W-2 and 1099 showing Oregon tax withheld to the front of the return.

Mail your return in a stamped envelope. Use a business envelope (4 × 9½ inches) and be sure to use enough postage.

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

REFUND
PO Box 14700
Salem OR 97309-0930

Mail tax-to-pay returns to:

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

Payment Plans

If you can't pay in full now, the Oregon Department of Revenue will work with you to set up a payment plan. File now and pay what you can. Please write your Social Security number and tax year on your check. You will receive a billing notice showing tax, penalty, interest, and the balance due. When you receive the billing notice, call the telephone number on the notice to set up your payment plan.

Form 40P, lines 31–80 instructions

For general Form 40P instructions and lines 1 through 30, see page 11.

Additions

Oregon treats these items differently from the federal government.

31 Interest and dividends on government bonds of states other than Oregon.

Federal column. If you didn't include interest or dividends in your federal income, fill in the amount you received from state and local governments outside of Oregon.

Oregon column. Fill in the amount of interest and dividends you got from states and local governments outside of Oregon while you were an **Oregon resident**.

32 **Federal election on interest and dividends of a minor child.** Did you elect to report the interest and dividends of your minor child on **your** federal return? If so, see instructions for line 32 on page 15.

33 **Other additions.** You may qualify for one or more other additions explained below. Please identify the addition in the space on the form using the title shown in bold or the abbreviation shown in brackets. If you have more than one, show the type and amount of each addition. Fill in the total amount of other additions on line 33.

Difference in depreciation for Oregon [Diff dep]. Did you move into Oregon with depreciable property located in another state? You may need the "Oregon Depreciation Schedule." See page 36 to order it.

There are also additions which apply to only a few people. They are listed on page 15 of the 40N instructions. Make the addition in **both** the federal and Oregon columns. If you need help, see page 36 for telephone numbers to call.

Subtractions

Oregon treats these items differently from the federal government.

37 Subtract Social Security and Tier 1 Railroad retirement benefits **only** if you included them on line 19.

38 **Other subtractions.** You may qualify for one or more other subtractions explained below. Please identify the subtraction in the space on the form using the title shown in bold or the abbreviation shown in

brackets. If you have more than one, show the type and amount of each subtraction. Fill in the total amount of **"Other subtractions"** on line 38.

• **Federal pension income** [Fed pen]. You may be able to subtract some or all of the federal pension income included in 1999 federal income. This includes benefits paid to the retiree or to the surviving spouse. The subtraction amount is based on the number of months of federal service before and after October 1, 1991. Subtract your entire federal pension if all your months of federal service occurred before October 1, 1991. If you have no months of service before October 1, 1991, you cannot subtract any federal pension. If your service was both before and after October 1, 1991, you will subtract a percentage of your pension income. Once you have determined the percentage, it will not change from year to year.

Example: Joe began working for the U.S. Postal Service February 5, 1965 and retired November 16, 1995. He worked 320 months before October 1, 1991 and a total of 370 months. Joe moved to Oregon May 31, 1999. He can subtract 86.5 percent ($320 \div 370$) of his federal pension included in the Oregon column. He will continue to subtract 86.5 percent of his federal pension from Oregon income in future years.

Use the following worksheet to determine your subtraction amount:

Federal column

1. Federal pension included in federal column. 1. _____
2. Divide months of service before October 1, 1991 by total months of service. 2. _____
3. Multiply line 1 by line 2. Enter here and on line 38a. 3. _____

Oregon column

4. Federal pension included in Oregon column. 4. _____
5. Percentage from line 2 above. 5. _____
6. Multiply line 4 by line 5. Enter here and on line 38b. 6. _____

To avoid processing delays or adjustments, attach your federal return that reports your federal pension amount.

• **Difference in depreciation for Oregon** [Dif dep]. Did you move into Oregon with depreciable property located in another state? You may need the "Oregon Depreciation Schedule." See page 36 to order the form.

• **Military active duty pay** [Military]. Military active duty pay qualifies for a subtraction. See page 16 of the Form 40N instructions.

- **Interest and dividends from the U.S. government** [US int]. If you received interest and dividends from the U.S. government that you included on your federal return, see page 16 of the Form 40N instructions.

- **Local government bond interest** [LGBI].

Federal column. The U.S. government taxes certain types of local government bond interest such as private activity bond interest. If you included income from Oregon bonds on your federal return, deduct it on this line.

Oregon column. Fill in Oregon local government bond interest if you included it in Oregon income on line 9.

- **Oregon tax refund included in federal income** [OR ref]. This subtraction is for **Oregon** income tax refunds only.

Federal column. Fill in your Oregon income tax refund **only** if you included it on line 10 of the federal column.

Oregon column. Fill in your Oregon income tax refund **only** if you included it on line 10 of the Oregon column.

- **Railroad retirement benefits** [RR].

Federal column. Fill in your Tier 2, supplemental, windfall, and dual-vested Railroad retirement benefits included on line 16 of the federal column. Fill in Railroad unemployment benefits included on line 19.

Oregon column. Don't fill in any amount. Oregon does not tax Railroad retirement or Railroad unemployment benefits.

- **Oregon Lottery** [OR lott]. Oregon does not tax Oregon Lottery and Powerball winnings of \$600 or less per winning ticket, or winnings on tickets purchased before January 1, 1998.

Federal column and Oregon column. Fill in Oregon Lottery winnings included on line 19 of \$600 or less if the winning ticket was purchased on or after January 1, 1998, while an Oregon resident. Add to that any amount of Oregon Lottery winnings from tickets purchased before January 1, 1998 and any amounts received while you were a nonresident.

You may also need to reduce your gambling losses claimed on Schedule A. See instructions for line 47. If you need help, see page 36 for telephone numbers to call.

There are also subtractions which apply to only a few people. They are listed on page 17 of the 40N instructions. Make the subtraction in **both** the federal and Oregon columns if the related income was included in both columns.

40 Oregon percentage. Divide the amount on line 39b by the amount on line 39a. Round the

decimal to three places. Write the percentage on line 40. Don't fill in more than 100 percent or less than -0-.

				Oregon percentage
Example	Line 39b		Line 39a	Line 40
1	\$8,000	÷	\$30,000	= .267 (26.7%)
2	(1,000)	÷	15,000	= -0- (0%)
3	20,000	÷	15,000	= 1.000 (100.0%)

Deductions and modifications

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

42 Itemized deductions. Generally, you may claim your total itemized deductions shown on federal Schedule A, line 28. You may itemize for Oregon even if you don't have enough deductions to itemize on your federal return. **If you itemize for Oregon only**, fill out a federal Schedule A. Use your federal adjusted gross income to figure the Schedule A limitations. Keep Schedule A with your tax records.

Note: Married people filing separate returns must itemize deductions if their spouse itemizes. Are you filing separate returns for Oregon only? If so, see Form 40N instructions, page 11.

43 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, line 5. Also, if you claim a credit for income taxes paid to another state, include the other state's tax after credits or the other state's tax claimed as an itemized deduction, whichever is less. See instructions for line 59, page 28.

Did you limit itemized deductions on your federal return because your adjusted gross income exceeded \$126,600 (\$63,300 if married filing separately)? If so, you may need to complete a worksheet to figure how much Oregon income tax to subtract from itemized deductions. See page 36 to order the information circular, "Limit on Itemized Deductions."

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

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

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

1. Your earned income plus \$250, but no more than the maximum allowed for your filing status as shown above, **or**
2. \$700.

The limit applies even if you can be, but are not, claimed as a dependent on another person's return.

Also: Each taxpayer and each spouse who is age 65 or older is allowed an additional deduction amount. Each taxpayer and each spouse who is blind is also allowed an additional deduction amount. The additional amount is based on your filing status.

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

46 **1999 federal tax liability.** Carefully follow the instructions below. Don't confuse your **federal tax liability** from your federal return with the **federal tax withheld** on your Form(s) W-2. They aren't the same.

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

1. Fill in your federal tax liability from Form 1040 or 1040PC, line 49; Form 1040A, line 32; Form 1040EZ, line 10; or Telefile Tax Record, tax from second box, line K. 1. _____
2. Fill in \$3,000 (\$1,500 if married filing separately). 2. _____
3. Fill in the lesser of line 1 or line 2 here and on line 46. 3. _____

On your federal return did you have:

- Alternative minimum tax, Form 1040, line 51?
- Tax on qualified retirement plans, Form 1040, line 53?

If so, include these in your federal tax liability on line 1 above.

Caution: Don't add:

- Self-Employment tax, Form 1040, line 50.
- Social Security and Medicare tax on tips, Form 1040, line 52.
- Advance earned income credit payments, Form 1040, line 54, or Form 1040A, line 33.
- Household employment taxes, Form 1040, line 55.

If you file married filing separately for Oregon only, multiply your joint federal tax liability (after credits) by the percentage calculated on page 11. Each spouse is limited to a maximum subtraction of \$1,500.

Did you pay additional federal tax in 1999 because you were audited or you filed an amended return? If so, read the instructions for line 47, "Other deductions and modifications."

47 **Other deductions and modifications.** Please identify the deduction or modification in the space on the form using the title shown in bold or the abbreviation shown in brackets. If you have more than one, show the type and amount of each. Modifications can be either additions or subtractions. Net the total of these items and enter that amount on this line. If the net amount is an addition, please clearly bracket it. For example, "[200]."

- **Federal tax from a prior year** [Prior fed]. If you paid additional federal tax in 1999 because you were **audited** or you **amended** a prior year return, you may be able to deduct the additional tax. See page 18, Form 40N, line 46 instructions, to figure your deduction.
- **Foreign tax** [Foreign]. If you paid tax to a foreign country in 1999, you may be able to deduct these taxes. See page 18, Form 40N, line 46 instructions.
- **Artists who make a charitable art donation** [Art]. Call for information. See page 36.
- **Federal income tax refunds** [Fed ref]. Did you get a federal tax refund in 1999 because you filed an **amended** federal return for a **prior** year or you were **audited**? If so, fill in and clearly bracket the amount on line 46 if you subtracted that amount on a prior Oregon return. For example, "[150]." If you need help, see page 36 for telephone numbers to call.
- **Gambling losses claimed as an itemized deduction** [Gambling]. Did you have winnings from Oregon Lottery or Powerball and claim gambling losses on your federal Schedule A? If so, fill in and clearly bracket on line 47 the gambling losses that exceed gambling winnings **taxed** by Oregon. For example, "[300]."
- **Special Oregon medical deduction** [OR med]. You may qualify for an additional medical expense deduction for Oregon. See page 19, Form 40N, line 46 instructions to figure your deduction.

Oregon tax

50 **Tax.** Figure the tax on taxable income, line 49. Use the rate charts on page 30. Fill in the amount of tax on line 50.

Example: A single taxpayer's taxable income is \$19,500. Use tax rate chart A for single taxpayers. The tax is figured like this:

Taxable income	\$19,500
Subtract	- 5,900
	13,600
Multiply by 9%	× .09
	1,224
Then add	+ 366
Their tax is:	<u>\$ 1,590</u>

52 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 for federal. The current interest rate is 9 percent per year.

- a. For the part of the year that you were a nonresident, use only those installment obligations that arose from dispositions of Oregon property.
- b. For the part of the year that you were a resident, consider all installment obligations.

Enter the total of parts a and b on line 52.

Credits

You must prorate some Oregon credits on your return. This means you need to multiply your total credit by your Oregon percentage, line 40, to figure the amount you can claim on your Oregon return. The credits that must be prorated are:

- Exemption.
- Earned income.
- Working family.
- Child and dependent care.
- Elderly or the disabled.
- Farmworker housing.
- Fish habitat improvements.
- Fish screening devices.
- Residential energy devices.
- Rural medical practitioners, dentists, or optometrists.

55 Earned income credit. You are allowed an Oregon earned income credit **only** if you qualify for and claim the earned income credit on your federal return. Your Oregon credit is 5 percent of your federal credit. For example, if your federal credit is \$400, your Oregon credit is \$20 ($\$400 \times .05$).

Use the following formula to compute your credit:

1. Enter your federal earned income credit (Form 1040EZ, line 8a; Form 1040A, line 37a; Form 1040 or 1040PC, line 59a; or Telefile Tax Record, line L). 1. _____
2. Decimal amount. 2. .05
3. Multiply line 1 by line 2. Enter result here. 3. _____
4. Multiply line 3 by the Oregon percentage (Form 40P, line 40). Enter here and on Form 40P, line 55. 4. _____

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

56 Working family credit. This credit is available to low income families with qualifying child care expenses.

Qualifications

You qualify for this credit if **all** the following are true:

- Your federal adjusted gross income is less than the limit for your household size (see tables on page 27),
- Your expenses are for your child under age 13 (or for your disabled child, see page 12),
- Care is not provided by the child's parent or guardian (unless provided in a licensed or registered child care facility),
- Care is not provided by the qualifying child's brother or sister under age 19,
- You have earned income of at least \$6,150,
- You have less than \$2,350 of investment income (investment income is generally interest, dividends, and capital gains), **and**
- If you are married filing separately, you must be legally separated or living apart on December 31, 1999.

Use the following worksheet to figure your credit:

Household size

1. Enter the number of exemptions reported on your federal return. 1. _____
2. Add any children who live with you but for whom you cannot claim an exemption. 2. _____
3. Line 1 plus line 2. This is your household size. 3. _____

Credit amount

4. Enter your federal adjusted gross income (Form 1040EZ, line 4; Form 1040A, line 18; Form 1040 or 1040PC, line 33; or Telefile Tax Record, line I). 4. _____
5. Enter total child care expenses you paid in 1999. 5. _____
6. Enter the decimal amount from the correct table on page 27. The tables are based on household size (line 3 from above). For example, if the amount on line 3 is 7, use Table 7. 6. _____
7. Multiply line 5 by line 6. 7. _____
8. Multiply line 7 by the Oregon percentage (Form 40P, line 40). Enter here and on Form 40P, line 56. 8. _____

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

57 Retirement income credit. If you were **age 62 or older** on December 31, 1999, and receiving retirement income, you may qualify for a credit. You don't qualify for this credit if your household income is \$22,500 or more (\$45,000 or more if married filing jointly), **or** if you received more than \$7,500 (\$15,000 if married filing jointly) in Social Security and/or Tier 1

Working Family Credit—1999 Tables

Table 1, household size = 1

If the amount on line 4 is:		Enter this decimal amount on line 6:
at least—	but less than—	
—	\$12,350	0.40
\$12,350	13,200	0.36
13,200	14,000	0.32
14,000	14,850	0.24
14,850	15,650	0.16
15,650	16,500	0.08
16,500	—	0.00

Table 2, household size = 2

If the amount on line 4 is:		Enter this decimal amount on line 6:
at least—	but less than—	
—	\$16,600	0.40
\$16,600	17,700	0.36
17,700	18,800	0.32
18,800	19,900	0.24
19,900	21,000	0.16
21,000	22,100	0.08
22,100	—	0.00

Table 3, household size = 3

If the amount on line 4 is:		Enter this decimal amount on line 6:
at least—	but less than—	
—	\$20,800	0.40
\$20,800	22,200	0.36
22,200	23,600	0.32
23,600	25,000	0.24
25,000	26,350	0.16
26,350	27,750	0.08
27,750	—	0.00

Table 4, household size = 4

If the amount on line 4 is:		Enter this decimal amount on line 6:
at least—	but less than—	
—	\$25,050	0.40
\$25,050	26,700	0.36
26,700	28,400	0.32
28,400	30,050	0.24
30,050	31,750	0.16
31,750	33,400	0.08
33,400	—	0.00

Table 5, household size = 5

If the amount on line 4 is:		Enter this decimal amount on line 6:
at least—	but less than—	
—	\$29,300	0.40
\$29,300	31,250	0.36
31,250	33,200	0.32
33,200	35,150	0.24
35,150	37,100	0.16
37,100	39,050	0.08
39,050	—	0.00

Table 6, household size = 6

If the amount on line 4 is:		Enter this decimal amount on line 6:
at least—	but less than—	
—	\$33,500	0.40
\$33,500	35,750	0.36
35,750	38,000	0.32
38,000	40,200	0.24
40,200	42,450	0.16
42,450	44,700	0.08
44,700	—	0.00

Table 7, household size = 7

If the amount on line 4 is:		Enter this decimal amount on line 6:
at least—	but less than—	
—	\$37,750	0.40
\$37,750	40,250	0.36
40,250	42,750	0.32
42,750	45,300	0.24
45,300	47,800	0.16
47,800	50,300	0.08
50,300	—	0.00

Table 8, household size = 8 or more

If the amount on line 4 is:		Enter this decimal amount on line 6:
at least—	but less than—	
—	\$41,950	0.40
\$41,950	44,750	0.36
44,750	47,550	0.32
47,550	50,350	0.24
50,350	53,150	0.16
53,150	55,950	0.08
55,950	—	0.00

Railroad retirement benefits. Retirement income includes payments contained in **Oregon** taxable income from a:

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

Use the following worksheet to figure your credit.

- | | |
|---------------------------------------------------------------------------------------------------------------|-----------|
| 1a. Enter the retirement income of the eligible individual(s) from the Oregon column, lines 15 and 16. | 1a. _____ |
| 1b. Enter any federal pension income subtracted on line 38b. | 1b. _____ |
| 1c. Net taxable pension. Line 1a minus line 1b. | 1c. _____ |
| 2. Enter \$7,500 (\$15,000 if married filing jointly). | 2. _____ |
| 3. Enter both spouses' total 1999 Social Security and Tier 1 Railroad retirement benefits. | 3. _____ |
| 4. Line 2 minus line 3, but not less than -0-. | 4. _____ |
| 5. Enter your household income . See below to determine your household income. | 5. _____ |
| 6. Household income base. Enter \$15,000 (\$30,000 if married filing jointly). | 6. _____ |
| 7. Line 5 minus line 6, but not less than -0-. | 7. _____ |
| 8. Line 4 minus line 7, but not less than -0-. | 8. _____ |
| 9. Enter the lesser of line 1c or line 8. | 9. _____ |
| 10. Multiply line 9 by 9% (.09). Enter the result here and on Form 40P, line 57, or Form 40N, line 60. | 10. _____ |

What is included in household income? Household income includes all taxable and nontaxable income of each spouse, except Social Security and Tier 1 Railroad retirement benefits. Include gross income reduced by adjustments on the federal form. Do not include your state tax refund, pension income excluded from federal AGI that is a return of contributions, or pensions that are rolled over into an IRA. Any losses claimed are limited to \$1,000 for each activity. Depreciation is limited to \$5,000. If you need help, see page 36 for numbers to call.

Note: The credit can't be more than your tax liability. There is no carryforward. You may claim this credit or the credit for the elderly or the disabled, but not both.

58 **Child and dependent care credit.** You are allowed an Oregon credit **only** if you qualify for

the federal child and dependent care credit. Use the worksheet on page 20 of the Form 40N instructions to figure your credit.

59 **Credit for income taxes paid to another state.** If you paid 1999 income tax to another state on income also taxed by Oregon, you may claim a credit. You must have income that is taxed by both Oregon and the other state during 1999.

You must claim the credit on your nonresident return or on your part-year return for the part of the year you were a nonresident if the income is taxed by both Oregon and one of the following: Arizona, California, Indiana, or Virginia.

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.

If you are a shareholder in an Oregon S corporation that paid taxes to another state, you may qualify for this credit. See page 36 to order the information circular.

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

- The other state's tax after credits.
- Your Oregon tax after all other credits.
- The amount figured using Formula 1.
- The amount figured using Formula 2.

Formula 1: Divide your adjusted gross income (AGI) taxed by both states by your modified AGI. Your modified AGI is your income on Form 40P or Form 40N, line 39b. Multiply the result by your Oregon tax after all other credits. The result can't be more than your Oregon tax after credits.

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

Formula 2: Divide your AGI taxed by both states by your total income on the other state's return. Multiply the result by the other state's tax after all other credits. "Total income" means income before subtracting itemized deductions and exemptions.

The result can't be more than the other state's tax after credits.

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

Caution: You can't claim this credit and also benefit from the itemized deduction for the tax paid to the other state. If you claim the tax as an itemized deduction, fill in either your tax liability to the other state or the amount of that state's tax claimed as an itemized deduction, whichever is less, on line 43 (line 42, Form 40N).

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

60 Other credits. You may qualify for one or more of the credits explained below. Please identify the credit(s) you are claiming on line 60 using the title shown in bold or the abbreviation shown in brackets. If you have more than one, show the type and amount of each credit. Fill in the amount of all "Other credits" on line 60.

• **Political contribution credit [PCC].** Fill in your total political contributions, but not more than \$100 on a joint return or \$50 on all others. The contributions must have been made during 1999. They must have been donations 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; or a political committee.

• **Child and dependent care credit carryover from prior years [C/O-CDC].** If you have a child and dependent care credit carryover, see page 20 of the Form 40N instructions.

• **Credit for the elderly or the disabled [OR CED].** The credit is 40 percent of the federal credit. You may claim this credit or the retirement income credit, but not both.

- | | |
|-------------------------------------------------------------------------------------------|---------------|
| 1. Enter the amount from federal schedule R, line 20; or Form 1040A, Schedule 3, line 20. | 1. _____ |
| 2. Decimal amount. | 2. <u>.40</u> |
| 3. Multiply line 1 by line 2. Enter result here. | 3. _____ |

Multiply the result by the Oregon percentage on Form 40P, line 40.

Note: Oregon has some credits which apply to only a few people. These credits are listed on page 21.

Tax payments, penalties, and interest

63 Oregon income tax withheld. Fill in the total Oregon tax withheld from your wages and other income. That's the amount shown on your Form(s) W-2 or 1099. Don't use the FICA (Social Security) tax withheld from your pay. Don't use tax withheld from your wages by other states. Staple a **readable copy** of your Form W-2 from each job and any 1099 showing Oregon income tax withheld to the lower front of your return.

If you don't have a Form W-2 or 1099, you must provide other proof of any Oregon tax withheld. Proof may include a final paycheck stub or a letter from your employer. If you file before February 1, 2000, we can accept only Form(s) W-2 or 1099 as proof of Oregon tax withheld.

64 Estimated tax payments for 1999. Fill in the total Oregon estimated tax payments you made before filing your 1999 Oregon return. Include any payments made with your extension. Also, include any refund applied from your 1998 income tax return.

68 Penalty and interest. See 40N instructions on page 21.

69 Interest on underpayment of estimated tax. See 40N instructions on page 21.

71 Amount-you-owe. Make your check or money order payable to "**Oregon Department of Revenue**" and attach it to your return on top of the Form(s) W-2. Please use **blue** ink. Do not use red ink. Do not make your check out to "IRS" or "Internal Revenue Service." Write your Social Security number and "1999 Oregon Form 40P" on your check. **Don't send cash or post-dated checks.** If the amount is less than \$1, no payment is required.

Special instructions. Do you owe interest on line 69 and have an overpayment on line 66? If your overpayment is less than the interest due, fill in the result of line 69 minus line 66.

Stop here on the form.

72 Refund. You must have a refund of \$1 or greater on line 72 to use lines 73-78.

73 Estimated tax. If your refund on line 72 is \$1 or more, you may apply part or all of it to your 2000 estimated tax. Fill in the amount you want to apply. Don't fill in less than \$1 or more than the amount on line 72.

74 - 78 You may donate all or part of your refund to the charitable organizations listed on the form. **A donation will reduce your refund.** If you don't have a refund on line 72 but want to contribute, mail your donations to the addresses shown below.

74 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

75 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 97232-2162

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

Alzheimer's Research Alliance
PO Box 10051
Portland OR 97296

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

OCADSV
659 Cottage St NE
Salem OR 97301

78 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
2701 NW Vaughn St, Suite 840
Portland OR 97210-5311

80 Net refund. You must **reduce your refund** by any amount applied to your 2000 estimated tax and donations on lines 73–78. By law, the Oregon Department of Revenue cannot refund amounts less than \$1. Generally, the department cannot issue a refund when the return is filed more than three years after the due date of the return.

To avoid processing delays, remember to:

Type or legibly print your name, address, and correct Social Security number on the return.

Double-check your math calculations and other figures, including your Social Security number. The most

common mistakes are math errors and the amount claimed for the federal tax subtraction. Errors will slow the processing of your return.

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

Staple readable copies of Form(s) W-2 and 1099 showing Oregon tax withheld to the front of the return.

Mail your return in a stamped envelope. Use a business envelope (4 × 9½ inches) and be sure to use enough postage.

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

REFUND
PO Box 14700
Salem OR 97309-0930

Mail tax-to-pay returns to:

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

Payment Plans

If you can't pay in full now, the Oregon Department of Revenue will work with you to set up a payment plan. File now and pay what you can. Please write your Social Security number and tax year on your check. You will receive a billing notice showing tax, interest, penalty, and the balance due. When you receive the billing notice, call the telephone number on the notice to set up your payment plan.

Tax Rate Charts for Form 40N and Form 40P Filers

For persons filing Single, or Married filing separately

Tax rate chart A:	If your taxable income is:	To figure your tax:
	Not over \$2,350	Multiply your taxable income by .05 (5%).
	Over \$2,350, but not over \$5,900	Subtract \$2,350 from your taxable income. Multiply the result by .07 (7%). Then add \$118.
	Over \$5,900	Subtract \$5,900 from your taxable income. Multiply the result by .09 (9%). Then add \$366.

For persons filing Jointly, Head of household, or Qualifying widow(er) with dependent child

Tax rate chart B:	If your taxable income is:	To figure your tax:
	Not over \$4,700	Multiply your taxable income by .05 (5%).
	Over \$4,700, but not over \$11,800	Subtract \$4,700 from your taxable income. Multiply the result by .07 (7%). Then add \$235.
	Over \$11,800	Subtract \$11,800 from your taxable income. Multiply the result by .09 (9%). Then add \$732.

Before you file

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 40N or Form 40P with Form(s) W-2 and any Form(s) 1099 showing Oregon tax withheld stapled to the lower front.
2. Attach any payment on top of the Form(s) W-2.
3. Copy of front and back of federal Form 1040, 1040A, 1040EZ, 1040PC, or Telefile Tax Record.
4. If applicable, Oregon Form 10, "Underpayment of Oregon Estimated Tax."
5. If applicable, proof to claim credit for income taxes paid to another state.
6. If applicable, the Form "Oregon Deferral of Reinvested Capital Gain."

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

Be sure the second page of your return is the same form as the first page. *Example:* If you file Form 40N, be sure that "Page 2—Form 40N 1999" is printed at the top of the second page.

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

- If you file your return electronically:
 - Allow 10–12 days (after processing begins March 1).
- If you file your return before **April 1:**
 - Allow 6–8 weeks.
- If you file your return on or after **April 1:**
 - Allow 8–11 weeks.

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

By law, the Department of Revenue cannot issue a refund if the amount is less than \$1 or if your return is filed more than three years after the due date.

Who must make estimated tax payments?

In most cases, people who expect to owe Oregon income tax of \$1,000 or more after credits and Oregon tax withheld on their 2000 Oregon income tax return must make estimated tax payments.

The first payment is due April 17, 2000. For more information, order the estimated tax coupons and instructions, or the information circular, "Estimated Tax." See page 36 to order.

When do I need to file an amended Oregon return?

File an amended return any time you need to correct your Oregon return. To amend a nonresident or part-year return, use Form 40N or 40P for that year and write "Amended" at the top. Generally, you are allowed three years from the due date of the return or the date the return was filed, whichever is later, to file an amended return to claim a refund. If you amend your federal return, you'll usually need to amend your Oregon return. See page 36 for taxpayer assistance.

What if I'm audited by the IRS or another state?

If changes are made that increase your Oregon income tax, file an amended return to report and pay additional tax. If the change reduces Oregon tax, you have two years from the date of the audit report to claim a refund.

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.

Taxpayer assistance

Do you need help?

Telephone: Salem **503-378-4988**
 Toll-free within Oregon **1-800-356-4222**

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

Once you're in the system, push:

1 For current year personal income tax refund information (beginning March 1).

2 **To order current year forms and instruction booklets or amended forms.** (Some federal forms available.)

6 For other information.

0 For assistance from a representative:
 Monday–Friday* 7:30 A.M.–5:10 P.M.
 *Except Wednesday 9 A.M.–5:10 P.M.
 April 3–April 17, Monday–Friday 7 A.M.–7 P.M.
 Closed on holidays

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

¿Habla español? Línea de mensaje. 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.

Correspondence. Use the Salem address on the front of this booklet. Include your Social Security number and a daytime telephone number for faster service.

To get forms Internet: www.dor.state.or.us

Income tax booklets are available at many post offices, banks, and libraries. **Or write to:** Forms, Oregon Department of Revenue, PO Box 14999, Salem OR 97309-0990.

Forms and assistance are available at these offices. **Don't send your return to these addresses.**

Bend—2330 NE Division, Suite 9

Eugene—2350 Oakmont Way #105

Medford—24 West 6th St

Portland—800 NE Oregon St, 5th floor

Portland*—Federal Building Lobby
 1220 SW Third Ave

Salem—Revenue Building, First floor, Room 135
 955 Center St NE

Salem—4275 Commercial St SE
 Building 2, Suite 180

Wilsonville—9450 SW Commerce Circle, Suite 450

* January 3–April 17: We'll provide walk-in help from 9 A.M.–4 P.M., Monday–Friday, except holidays.



Printed information (free)

State forms and publications 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.)

- Amended Form 40X and instructions... 150-101-046
- Computing Interest on Tax You Owe ... 150-800-691
- Credit for Income Taxes Paid to Another State 150-101-646
- Depreciation form 150-101-025
- Elderly Rental Assistance booklet 150-545-002
- Estimated Tax circular 150-101-648
- Estimated Tax coupons 150-101-026-2
- Estimated Tax instructions 150-101-026
- 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 Deferral of Reinvested Gain ... 150-101-614
- Oregon Income Tax Withholding: Some Special Cases 150-206-643

- Political Contributions 150-101-662
- Record Keeping Requirements 150-101-608
- Residential Energy Tax Credit 150-101-641
- 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 _____

