

FORM
FIA-40

**OREGON FARM
INCOME AVERAGING**

2002

For Office Use Only

Date received

Name(s) as shown on Oregon Form 40

Social Security No. (SSN)
— —

Current mailing address

City

State

ZIP code

Telephone number
()

- 1 Enter the taxable income from your 2002 Oregon Form 40, line 28 1
- 2 Enter your **elected farm income**. Do not enter more than the amount on line 1 2
- 3 Subtract line 2 from line 1 3
- 4 Figure the tax on the amount on line 3 using the 2002 Tax Tables or Tax Rate Charts from Form 40 instructions, whichever applies, and enter here 4

1999 Taxable Income

- 5 Enter the taxable income from your 1999 Oregon Form 40, line 28; or Form 40S, line 15. If -0- or less, see instructions 5
- 6 Divide the amount on **line 2** by 3.0 6
- 7 Add line 5 and 6. If -0- or less, enter -0- 7
- 8 Figure the tax on the amount on line 7 using the 1999 Tax Tables or Tax Rate Charts, whichever applies (or fill in recomputed tax from Schedule Z, see instructions) 8

2000 Taxable Income

- 9 Enter the taxable income from your 2000 Oregon Form 40, line 28; or Form 40S, line 15. If -0- or less, see instructions 9
- 10 Enter the amount from line 6 10
- 11 Add lines 9 and 10 11
- 12 Figure the tax on the amount on line 11 using the 2000 Tax Tables or Tax Rate Charts, whichever applies (or fill in recomputed tax from Schedule Z, see instructions) 12

2001 Taxable Income

- 13 Enter the taxable income from your 2001 Oregon Form 40, line 28; or Form 40S, line 15. If -0- or less, see instructions 13
- 14 Enter the amount from line 6 14
- 15 Add lines 13 and 14 15
- 16 Figure the tax on the amount on line 15 using the 2001 Tax Tables or Tax Rate Charts, whichever applies (or fill in recomputed tax from Schedule Z, see instructions) 16

17 Add lines 4, 8, 12, and 16 17

18 Enter the tax from your 1999 Form 40, line 30; Form 40S, line 16; Form 40N, line 52; or Form 40P, line 51 18

19 Enter the tax from your 2000 Form 40, line 30; Form 40S, line 16; Form 40N, line 52; or Form 40P, line 51 19

20 Enter the tax from your 2001 Form 40, line 30; Form 40S, line 16; Form 40N, line 52; or Form 40P, line 51 20

21 Add lines 18, 19, and 20 21

22 Subtract line 21 from line 17. Enter this amount on Form 40, line 31 22

—Attach your completed Form FIA-40 to your Oregon Form 40—

INSTRUCTIONS FOR 2002 FORM FIA-40 Farm Income Averaging

You may elect to figure your 2002 tax by averaging, over the previous three years (base years), all or part of your 2002 taxable farm income. Making this election may give you a lower tax if your 2002 farm income is high and your taxable income for one or more of the three prior years was low.

You will need copies of your original or amended Oregon income tax returns for tax years 1999, 2000, and 2001. You can obtain copies of prior years' returns for a fee from the Oregon Department of Revenue. See Taxpayer Assistance on page 3 for numbers to call.

If you filed an Oregon part-year or nonresident return in any of the three base years, you will need Schedule Z, Computation of Tax, to complete Form FIA-40. If any of the three base years are part-year or nonresident returns, ignore the computation of tax for the applicable year on Form FIA-40 and complete Schedule Z. Fill in the computed tax from Schedule Z on lines 8, 12, or 16, whichever applies.

Elected farm income

Your elected farm income is the amount of your taxable income from farming that you elect to include on Form FIA-40, line 2. This is the amount on federal Schedule J, line 2, if you elect to use farm income averaging for federal. Do not enter more than the amount on line 1.

To figure elected farm income, first figure your taxable income from farming. Taxable income from farming includes all income, gains, losses, and deductions attributable to any farming business. Gains and losses from the sale or other disposition of property (other than land) must be from property regularly used for a substantial period of time in your farming business. However, it does not include gain from the sale or other disposition of land. You do not have to include all of your taxable income from farming on Form FIA-40, line 2. It may be to your advantage to include less than the full amount, depending on how the amount you include on line 2 affects your tax bracket for the current and prior three tax years.

Your elected farm income cannot exceed your Oregon taxable income. Also, the portion of your elected farm income treated as a net capital gain cannot exceed the smaller of your total net capital gain or your net capital gain attributable to your farming business. If your elected farm income includes net capital gain, you must allocate an equal portion of the net capital gain to each of the base years.

If, for any base year, you had a capital loss that resulted in a capital loss carryover to the next tax year, do not reduce the elected farm income allocated to that base year by any part of the carryover.

Farming business

A farming business is the trade or business of cultivating land or raising or harvesting any agricultural or horticultural commodity. This includes:

- Operating a nursery or sod farm.
- Raising or harvesting of trees bearing fruits, nuts, or other crops.
- Raising ornamental trees (but not evergreen trees that are more than 6 years old when severed from the roots).
- Raising, shearing, feeding, caring for, training, and managing animals.
- Leasing land to a tenant engaged in a farming business, but **only** if the lease payments are based on a share of the tenant's production (not a fixed amount).
- Wages and other compensation you received as a shareholder in an S corporation engaged in a farming business.

A farming business does not include:

- Contract harvesting of an agricultural or horticultural commodity grown or raised by someone else, or
- Merely buying or reselling plants or animals grown or raised by someone else.

Line instructions

Line 5. If your 1999 taxable income was -0- or less, use the worksheet below to figure the amount to enter on Form FIA-40, line 5.

1999 Taxable Income Worksheet

1. Figure the taxable income from your 1999 tax return without limiting it to -0-. If you had a net operating loss (NOL) for 1999, do not include any NOL carryovers or carrybacks to 1999. Enter the result as a positive amount here \$ _____
2. If there is a loss on your 1999 federal Schedule D, line 18, add that loss (as a positive amount) and your 1999 capital loss carryover to 2000. Subtract from that sum the amount of the loss on your 1999 federal Schedule D, line 17. Enter the result here \$ _____
3. If you had an NOL for 1999, enter it as a positive amount here. Otherwise, enter the portion (if any) of the NOL carryovers and carrybacks to 1999 that were not used in 1999 and were carried to tax years after 1999 as a positive amount here \$ _____
4. Add lines 2 and 3 \$ _____
5. Subtract line 4 from line 1. Enter the result here, and as a negative amount on Form FIA-40, line 5 \$ _____

Line 9. If your 2000 taxable income was -0- or less, use the worksheet below to figure the amount to enter on Form FIA-40, line 9.

2000 Taxable Income Worksheet

- 6. Figure the taxable income from your 2000 Oregon tax return without limiting it to -0-. If you had an NOL for 2000, do not include any NOL carryovers or carrybacks to tax year 2000. Enter the result as a positive amount here \$ _____
- 7. If there is a loss on your 2000 federal Schedule D, line 18, add that loss (as a positive amount) and your 2000 capital loss carryover to 2001. Subtract from that sum the amount of the loss on your 2000 federal Schedule D, line 17. Enter the result here \$ _____
- 8. If you had an NOL for 2000, enter it as a positive amount here. Otherwise, enter the portion (if any) of the NOL carryovers and carrybacks to 2000 that were not used in 2000 and were carried to tax years after 2000 as a positive amount here \$ _____
- 9. Add lines 7 and 8 \$ _____
- 10. Subtract line 9 from line 6. Enter the result here and as a negative amount on Form FIA-40, line 9 \$ _____

Line 13. If your 2001 taxable income was -0- or less, use the worksheet below to figure the amount to enter on Form FIA-40, line 13.

2001 Taxable Income Worksheet

- 11. Figure the taxable income from your 2001 Oregon tax return without limiting it to -0-. If you had an NOL for 2001, do not include any NOL carryovers or carrybacks to 2001. Enter the result as a positive amount here \$ _____
- 12. If there is a loss on your 2001 federal Schedule D, line 18, add that loss (as a positive amount) and your 2001 capital loss carryover to tax year 2002. Subtract from that sum the amount of the loss on your 2001 federal Schedule D, line 17. Enter the result here \$ _____

- 13. If you had an NOL for 2001, enter it as a positive amount here. Otherwise, enter the portion (if any) of the NOL carryovers and carrybacks to 2001 that were not used in 2001 and were carried to tax years after 2001 as a positive amount here \$ _____
- 14. Add lines 12 and 13 \$ _____
- 15. Subtract line 14 from line 11. Enter the result here and as a negative amount on Form FIA-40, line 13 \$ _____

Example. John Farmington did not use farm income averaging for 1999, 2000, nor 2001. For tax year 2002, John has elected farm income on Form FIA-40, line 2 of \$18,000. His Oregon taxable income shown on his 1999 Form 40, line 28, is \$6,150.

John had a net operating loss (NOL) for tax year 2000 of \$22,950, which he carried back to tax years 1998 and 1999. Of the \$22,950 loss, \$9,000 was carried forward to tax year 1999. To complete line 1 of the 1999 worksheet, John combines the \$9,000 net operating loss deduction (NOLD) with his Oregon taxable income of \$6,150 from Form 40, line 28. The result is a negative \$2,850. John's 1999 taxable income of \$2,850 is entered as a positive amount on line 1 of the 1999 worksheet.

When John filed his 1999 tax return, he had a \$3,000 net capital loss deduction on federal Schedule D, line 18, a \$7,000 loss on federal Schedule D, line 17, and a \$4,000 capital loss carryover to 2000. However, when John carried back the 2000 NOL to 1999, he refigured his 1999 capital loss carryover to tax year 2000 as \$7,000. To calculate line 2 of the 1999 worksheet, John adds the \$3,000 from federal Schedule D, line 18, and the \$7,000 carryover. He subtracts from the result the \$7,000 loss on his federal Schedule D, line 17, and enters \$3,000 on line 2 of the 1999 worksheet.

John had \$6,150 of Oregon taxable income that reduced the 2000 NOL carryback. The \$3,000 net capital loss deduction also reduced the amount of the 2000 NOL carryback. Since these two figures together total \$9,150, there is no NOL left to carryover to tax year 2001. Therefore, John enters -0- on line 3 and \$3,000 on line 4 of the 1999 worksheet. He then subtracts the \$3,000 from the \$2,850 and enters the result, negative \$150, on Form FIA-40, line 5. This figure represents John's recomputed Oregon taxable income for tax year 1999.

For tax year 2000, John's taxable income from Form 40, line 28 is negative \$30,250. John enters this amount as a positive figure on line 6 of the 2000 worksheet.

John had a \$3,000 net capital loss deduction on Schedule D, line 18 and a \$7,000 loss on Schedule D, line 17, the carryover from 1999 to 2000. John adds the \$3,000 from Schedule D, line 18, and the \$7,000 carryover. He subtracts from the result the \$7,000 loss on Schedule D, line 17, and

enters \$3,000 on line 7 of the worksheet. John enters \$22,950 on line 8 of the worksheet, his 2000 NOL.

John enters \$25,950 on line 9 of the worksheet. He subtracts line 9 from line 6 and enters the result, \$4,300 on line 10 of the worksheet and negative \$4,300 on Form FIA-40, line 9. This figure represents John's recomputed Oregon taxable income for tax year 2000.

For tax year 2001, John's taxable income from Form 40, line 28 is negative \$1,750. This amount includes an NOLD of \$2,300 which was the portion of the 1999 NOL that was remaining to be carried forward from tax year 1999. John does not have an NOL for tax year 2001. John enters \$1,750 as a positive amount on line 11 of the 2001 worksheet.

John had a \$3,000 net capital loss deduction on Schedule D, line 18, a \$7,000 loss on Schedule D, line 17, and a \$5,000 capital loss carryover to 2001 (his 2000 capital loss carry-

over to 2001 was \$5,000, not \$4,000, because his federal taxable income before exemptions was a negative \$1,000). John adds the \$3,000 from Schedule D, line 18, and the \$5,000 carryover. He reduces the result by the \$7,000 loss on his Schedule D, line 17, and enters \$1,000 on line 12 of the 2001 worksheet.

John enters -0- on line 13 of the worksheet because he does not have an NOL for 2001 and did not have an NOL carryover from 2001. John's \$2,300 NOLD for 2001 was reduced to -0- because it did not exceed his federal AGI as modified for the capital loss deduction, the net operating loss, and the standard or recomputed itemized deductions. John adds lines 12 and 13 and enters \$1,000 on line 14 of the worksheet. John enters \$750 on line 15 of the worksheet and negative \$750 on Form FIA-40, line 13. This figure represents John's recomputed Oregon taxable income for tax year 2001.

Taxpayer assistance

Internet

www.dor.state.or.us



The Department of Revenue Web site is a quick and easy way to download forms and information circulars, get up-to-the-minute tax information, and learn about electronic filing.

Correspondence



Write to: Oregon Department of Revenue, 955 Center St NE, Salem OR 97301-2555. Include your Social Security number and a daytime telephone number for faster service.

Field offices

Get forms and assistance at these offices. **Don't send your return to these addresses.**

Bend 951 SW Simpson Drive, Suite 100

Eugene 1600 Valley River Drive, Suite 310

Medford 24 West 6th Street

Newport 119 NE 4th Street, Suite 4

North Bend 3030 Broadway

Pendleton 700 SE Emigrant Ave, Suite 310

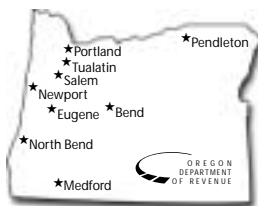
Portland* Federal Building Lobby, 1220 SW Third Avenue

Portland 800 NE Oregon Street, Suite 505

Salem Revenue Building, 955 Center Street NE, Room 135

Salem 4275 Commercial Street SE, Suite 180

Tualatin 6405 SW Rosewood Street, Suite A



*January 2–April 15: Walk-in help is available from 9:00 a.m.–4:00 p.m., Monday–Friday, except holidays.

Telephone

Salem 503-378-4988

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

If you have a touch-tone telephone, call our 24-hour voice response system at one of the numbers above to:

- Hear recorded tax information
- Order tax forms.
- Check on the status of your 2002 personal income tax refund (beginning March 1).



For help from Tax Services, call one of the numbers above:

Monday, Tuesday, Thursday, Friday 7:30 a.m.–5:10 p.m.

Wednesday 10:00 a.m.–5:10 p.m.
Closed on holidays.

April 1–April 15, Monday–Friday 7:00 a.m.–7:00 p.m.
Representatives also available Saturday, April 5 and April 12.

Wait times may vary.

TTY (hearing or speech impaired; machine only): 503-945-8617 (Salem) or 1-800-886-7204 (toll-free within Oregon).

Americans with Disabilities Act (ADA). This information is available in alternative formats. Call 503-378-4988 (Salem) or 1-800-356-4222 (toll-free within Oregon).

Asistencia en español. Llame al 503-945-8618 en Salem.

To get forms

Income tax booklets are available at many post offices, banks, and libraries. For booklets and other forms and publications, you can also access our Web site, order by telephone, or write to: Forms, Oregon Department of Revenue, PO Box 14999, Salem OR 97309-0990.