

2002 OREGON

Individual Income Tax Forms 40P and 40N with Instructions

PART-YEAR
RESIDENT &
NONRESIDENT

IMPORTANT NEWS FOR 2002

NEW FOR 2002

OREGON EXTENSION FORM

Use the new Oregon extension form if you need more time to file. See page 5 for information.

PAYMENT COUPON

Send the new payment coupon when making your tax payment. See page 37.

STANDARD DEDUCTION

The standard deduction amounts have changed. See page 30.

! Before you file ...

The January 28, 2003, Oregon special election may affect how you file your 2002 tax return.

- To speed processing of your return, you may want to file until after the election.
 - Two sets of tax rate charts are in effect. The election results are in. Use the **purple tax rate charts**. The green tax rate charts have been removed.
- January 28 election: If you are not sure which tax table or tax rate chart to use, visit www.dor.state.or.us or call us. See page 40.

FILING DEADLINE: TUESDAY, APRIL 15, 2003



Oregon Department of Revenue
955 Center Street NE
Salem OR 97301-2555

IMPORTANT ! Please read before filing

*The January 28, 2003, Oregon special election may affect how you file your 2002 tax return. **Please wait to file your tax return until after election results are known.***

The 2001 Oregon Legislature referred a temporary income tax increase to Oregon voters for tax years 2002, 2003, and 2004, to be voted on in a January 28 special election. Because this special election affects tax year 2002, the department will begin processing returns after the election results are known. Filing before election results are known could delay the processing of your return.

In order to have as much information to you as possible in a timely manner, the Department of Revenue included two rate charts in the booklet this year—one for each possible election result:

- Use the **purple** chart at the top of page 38 if the tax rate increase fails.
- Use the **green** chart at the bottom of page 38 if the tax rate increase passes.

After the January 28 election: If you are not sure of the outcome of the election or which rate chart to use, visit our Web site for details at www.dor.state.or.us. Or, call us for information. See page 40 for numbers to call.

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New information

Tax rate change. There may be a tax rate increase for 2002. The tax rates will not be known until after the January 28, 2003, Oregon special election. See page 2 for more information.

Payment coupon, Form RPC. Oregon now provides a payment coupon to use when you have tax to pay. Form RPC is similar to the federal coupon and is easy to complete. See page 7.

Filing thresholds. The 2001 Oregon Legislature created an "income threshold" for requiring you to file an Oregon income tax return. See "Filing thresholds" below.

Oregon extension form. An Oregon extension form is now available. If you need more time to file, use Form 40-EXT to make a tax payment to Oregon or to file an extension for Oregon only. See page 5 for more information.

New tax credits. The 2001 Oregon Legislature approved several new credits and changes to existing credits. See page 27.

Federal tax subtraction. The deduction for your 2002 federal tax liability has changed. See page 24 or 31.

Standard deduction amounts. The standard deduction amounts changed for 2002. See page 23 or 30.

Farm income averaging. You can use the federal farm income averaging method to compute Oregon tax on farm income even if you didn't on your federal return. See page 25 or 32 for more information.

Reduced tax rate on liquidation of farm assets. A reduced tax rate is available to certain taxpayers who sold or exchanged capital assets used in farming. See page 25 or 32 for information about farm asset capital gain.

General information

These instructions aren't a complete statement of laws and Oregon Department of Revenue rules. You may need more information or forms. See page 40.

Should I file an Oregon return?

You must file an Oregon income tax return if your Oregon source income and income received while an Oregon resident is more than your standard deduction.

Filing thresholds

You must file an Oregon income tax return if:

Your filing status is:	Age:	And your Oregon income is more than:
Single, can be claimed on another's return	Any	\$750*
	Under 65	\$1,640
Single	65 or over	\$2,840
	Under 65	\$2,640
Head of household	65 or over	\$3,840
	Both under 65	\$3,280
	One 65 or over	\$4,280
Married, joint return	Both 65 or over	\$5,280
	Under 65	\$1,640
Married, separate return <i>If spouse claims standard deduction</i>	65 or over	\$2,640
	Any	\$0
Qualifying widow(er)	Under 65	\$3,280
	65 or over	\$4,280

*The larger of \$750 or your earned income plus \$250, up to your standard deduction amount.

If your Oregon income is less than your standard deduction, 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.

If you have wages from an Oregon employer for services performed in another state while you were a nonresident and 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. **You must** include sick pay, holiday pay, and vacation pay in total wages. If Oregon is the only state you worked in, do not use this formula; all your earnings are taxable and should be reported in the Oregon column.

Example: Jordan lives in Washington but works in Oregon. Out of 220 work days, she worked 132 days in Oregon and 88 days from her home 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	220

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

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

Other income from Oregon sources:

- Businesses, S corporations, partnerships, and limited liability companies taxed as partnerships located 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 taxed 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. 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, air carrier, or motor private carrier. You must be a nonresident and have regularly assigned duties in more than one state. See page 40 to order the information circular, *Interstate Transportation Wages*.
- Oregon retirement income received while you were a nonresident unless you were domiciled in Oregon. See "Pensions and annuities" on page 11.
- Columbia River waterway or hydroelectric dam compensation, if you are a nonresident working as crew

or pilot on a vessel on the Columbia River or working on a dam that spans the Columbia River between Oregon and Washington.

- Compensation for military active duty of a nonresident.

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; and
 - 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 still a **full-year resident** if:

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

You may also be considered a full-year resident if you spend more than 200 days in Oregon during the tax year.

- 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 2002. You are not a part-year resident if:
 - You temporarily moved out of Oregon, or
 - You moved back to Oregon after a temporary absence.

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

- You are an Oregon resident who maintained a permanent home outside Oregon the entire year, and
- You didn't keep a home in Oregon during any part of the year, and
- You spent less than 31 days in Oregon during the year.

Oregon residents living abroad. Generally, if you qualify for the federal earned income or housing exclusion for United States residents living abroad, you are considered a nonresident.

Filing status

Generally, you must use the same filing status for your Oregon and federal returns.

Exceptions for married persons when spouses are:

- **Full-year resident and part-year resident.** You may file separate Oregon returns. The full-year resident files Form 40, and the part-year resident files Form 40P. If you choose to file a joint return for Oregon, use Form 40P.
- **Full-year resident and nonresident.** You may file separate Oregon returns. The full-year resident files Form 40, and the nonresident files Form 40N. If you choose to file a joint return for Oregon, use Form 40N.

- **Part-year resident and nonresident.** You may file separate Oregon returns. The part-year resident files Form 40P, and the nonresident files Form 40N. If you choose to file a joint return for Oregon, use Form 40N.

See page 40 to order the *Full-Year Resident* booklet or the information circular, *Married Persons Filing Separate Returns*.

Military personnel

Nonresidents stationed in Oregon. Oregon doesn't tax your military pay while you are stationed in Oregon. File 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 reserve units or the Oregon National Guard 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 Resident* tax 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 abroad. See "Residency" on page 4.

Write "Military nonresident" at the top left corner of your Form 40N in **blue or black ink**.

File Form 40 from the *Full-Year Resident* tax booklet if you don't meet the listed requirements.

Need more information? See page 40 to order forms and the information circular, *Military Personnel Filing Information*. Or, see the military information under "Q & A" on our Web site.

Filing for a deceased person

See "Should I file an Oregon return?" on page 3 to determine if a return must be filed for an individual who is deceased. If you are filing a return and claiming a refund for someone who is now deceased, file Form 243, *Claim to Refund Due a Deceased Person*, with the return. This will allow the department to issue the refund check in your name. Call the department to order this form. If you are a court-appointed or certified personal representative, Form 243 is not needed.

What form do I use?

Use Form 40N if any ONE of the following is true:

- You are a nonresident, or
- You are a special-case Oregon resident (see "Residency" on page 4), 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 on this page, or

- You qualified as an Oregon resident living abroad for the entire year.

Use Form 40P if any ONE of the following is true:

- You are a part-year resident, or
- You are filing jointly and one spouse is a full-year Oregon resident and one is a part-year resident, or
- You are filing jointly and both spouses are part-year Oregon residents, or
- You qualified as an Oregon resident living abroad for part of the year.

Use Form 40 or 40S if any ONE of the following is true:

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

Forms 40 and 40S are available on our Web site and at many post offices, banks, and libraries in Oregon and southwest Washington. To order Forms 40S and 40 and instructions, see page 40.

When should I file my return?

File as soon as possible after the January 28 election results are known. The filing deadline for calendar year 2002 is **April 15, 2003**. If you can't pay all of your tax by the due date, file your return anyway to avoid additional penalty. Payment plans are available. See page 39.

Returns for other tax periods are due by the 15th day of the fourth month after the close of your tax year.

What if I need more time to file?

Oregon allows you the same extension you have for your federal return. In some cases, you will need to file the **new Oregon extension form**, Form 40-EXT. See page 40 to order the form. The following will help you decide when you need to file Oregon Form 40-EXT:

- If you filed a federal extension, Form 4868, and you expect to get a refund for Oregon:
 - You do not need to file Form 40-EXT.
 - Check box 7b on Form 40N or Form 40P when you file your return.
 - Keep a copy of your federal extension in your records. You are not required to send us a copy of your federal extension.
- If you did not file a federal extension but need more time to file for **Oregon only** and you expect an Oregon refund:
 - File Oregon Form 40-EXT. Enter -0- in the payment amount box on the 40-EXT payment coupon and mail the entire form to: Extension Clerk, Oregon Department of Revenue, PO Box 14950, Salem OR 97309-0980.

- Check box 7b on Form 40N or Form 40P when you file your return.
- Keep a copy of Form 40-EXT in your records.
- If you need more time to file for Oregon and you need to make a tax payment to Oregon:
 - File Oregon Form 40-EXT with your check or money order. Detach the payment coupon from Form 40-EXT. Send your Form 40-EXT payment coupon and your check or money order by April 15, 2003, to: Extension Clerk, Oregon Department of Revenue, PO Box 14950, Salem OR 97309-0980.
 - Check box 7b on Form 40N or Form 40P when you file your return.
 - Keep a copy of Form 40-EXT in your records.

More time to file does not mean more time to pay!

You must pay any tax you expect to owe when you file your extension. If you don't pay all the tax due with your extension, you will owe interest on the unpaid balance after April 15, 2003, to the date of your payment. The current interest rate is 7 percent per year. If the tax is not paid within 60 days of our bill, the interest rate increases to 11 percent per year.

Were you stationed in a designated combat zone? Did you receive additional time to file your 2002 federal return? If so, Oregon allows the same additional time to file. Write "combat zone" in **blue or black** ink at the top of your return when you file it.

Penalties

You will owe a 5 percent penalty on any 2002 tax not paid by April 15, 2003.

If you file more than three months after the due date or extension date, 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 69, page 27.

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.

Interest on underpayment of estimated tax

You may owe interest on underpayment of estimated tax if:

- You owe \$1,000 or more on your return after credits and withholding, based on the 9 percent tax rate (purple chart, page 38); and
- You paid less than 90 percent of the tax due on each estimated tax payment date for 2002, based on the

9 percent tax rate. See the instructions for line 70 on page 27.

You can avoid interest on underpayment of estimated tax for 2003 by paying estimated tax equal to 100 percent of your 2002 Oregon tax liability on the estimated tax due dates.

The first payment is due April 15, 2003. For more information, order Form 40ES, *Oregon Individual Estimated Tax* coupons and instructions, or the information circular, *Estimated Income Tax*.

2003 estimated tax

Oregon estimated tax laws are not the same as federal estimated tax laws. Use Oregon instructions to determine if you need to make estimated tax payments for 2003.

Estimated tax is the amount of tax you expect to owe after credits and Oregon tax withheld when you file your 2003 Oregon individual income tax return.

Who must make estimated tax payments?

In most cases, **people who expect to owe \$1,000 or more** on their 2003 Oregon income tax return must make estimated payments. You may need to make estimated payments if:

- You are self-employed and don't have Oregon tax withheld from your income.
- You receive income such as pensions, interest, or dividends and don't have Oregon tax withheld from it.
- You are a wage earner and expect to owe tax of \$1,000 or more on your 2003 return. You may want to increase the amount your employer withholds from your Oregon wages. If you and your spouse both work, call the department to order the information circular, *Oregon Income Tax Withholding: Some Special Cases*. See page 40. Or, download it from our Web site.

How do I make estimated tax payments?

Send your payment with Form 40ES. See page 40 to order estimated tax coupons, instructions, and the information circular.

When do I pay?

The due dates are April 15, 2003*; June 16, 2003; September 15, 2003; and January 15, 2004.

* *Please send your 2003 Oregon Form 40ES and payment in a different envelope from your 2002 Oregon income tax return. This will help us credit your payment efficiently.*

What if I am self-employed?

If you are self-employed and do business in Washington, Multnomah, or Clackamas counties, you may also need to file Form TM, *TriMet 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. Contact the department to order either of these forms. Or, visit our Web site to download the forms.

Federal pension income

If you received federal pension income in 2002, some or all of it may be subtracted from Oregon income. Please carefully follow the instructions for figuring your federal pension subtraction on page 29.

Electronic filing

Electronic filing (e-file) is a fast, efficient, and accurate way to file. This year, we recommend that you wait to file federal and state electronic returns until after the January 28 election results are known. After March 1, 2003, when processing begins, you may receive your Oregon refund in as few as 7-12 business days.



You do not need to mail anything to the department unless you owe tax. If you owe tax, you can file your return electronically before the due date without making a payment. You will have until April 15, 2003, to pay the tax in full. Please send your payment with a Form EP payment coupon.

For more information about how electronic filing works, see page 40 to order the information circular, *Oregon Electronic Filing*. Or, download it from our Web site.

Direct deposit

The Department of Revenue can deposit your refund directly into your account at most banks or other financial institutions. If you choose direct deposit, contact your bank to make sure that your deposit will be accepted and to get your correct routing and account numbers. The Department of Revenue is not responsible if your bank rejects your deposit. We will issue you a paper check if your bank rejects the direct deposit. See page 28 or 37 for more information.

Blue or black ink

Please use blue or black ink for easier reading and faster processing. Equipment to scan documents cannot read certain types and colors of ink, especially gel pens and red ink. Thank you.

Federal law

Oregon is permanently tied to the definition of taxable income in federal law. Most items are 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.

▼ **Complete the coupon, detach, and mail with your payment** ▼

▼ Detach Here

Detach Here ▼

2002 **Personal Income Tax Return Payment Coupon**
OREGON DEPARTMENT OF REVENUE
 Due by **April 15, 2003**

Form
RPC

For Department Use Only
Date Received



Social Security number

--	--	--	--	--	--	--	--	--	--

--	--	--	--

First four letters of your last name

Enter Payment Amount

\$

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Please fill in all applicable boxes below.

Last name, first name, and initial			Spouse's last name, first name, and initial (if joint payment)		
Mailing address					<input type="checkbox"/> Check if new address
City	State	ZIP code	Telephone number ()		

Instructions for Forms 40N and 40P

Step 1: Select the appropriate form.

Please determine which form fits your situation. This will help ensure the correct calculation of your Oregon income, deductions, credits, and tax. 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 see page 40.

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 Form 1040, 1040A, 1040EZ, 1040NR, or TeleFile Tax Record to your Oregon tax return. **Don't attach** federal Schedule A, B, C, or D, or Form 2441, etc.

Keep a complete copy of both your federal and state returns. Also, keep the original of all receipts, canceled checks, statements, and other records you used to prepare your return. Save these records for at least three years from the due date of the return or three years from the date you file your return, whichever is later. Save records for property and investments you purchased for at least three years after you report the sale of those items.

Step 3: Start the Oregon form.

Fiscal year filers

Write the ending date of your fiscal year in the space provided. Please use **blue or black ink**.

Name and address section

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

Social Security number (SSN). The request for your SSN 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.

Individual Taxpayer Identification Number (ITIN). If the IRS has issued you an ITIN because you do not have a Social Security number, enter your ITIN on your Oregon tax return wherever your SSN is requested.

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

Check the boxes

Filing status

Check the box next to your filing status. If filing as **head of household**, enter the name of the person who

qualifies you for head of household filing status next to box 4. Use the same name as on your federal return.

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. See page 4 to determine which form to use based on the filing status you choose for Oregon.

How to file separate returns for Oregon

If you are **married filing separately (MFS)**, enter your spouse's name and Social Security number next to 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 federal adjusted gross income (AGI) and deductions. Also, report your share of any Oregon additions or subtractions. To figure your share of the federal tax subtraction or itemized deductions, determine your federal adjusted gross income (AGI) and 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 or black ink**. Attach the following to both Oregon returns:

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

If possible, mail both spouses' 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 40.

Exemptions

6a & 6b Yourself and spouse. Check “Yourself” and other boxes that apply. If someone else can claim you as a dependent, you can't claim an exemption for yourself; enter -0- in the total box on 6a unless you are severely disabled.

Severely disabled. Did you have a severe disability at the end of 2002? If so, you may claim an additional exemption credit. You may qualify for the severely disabled exemption even if someone else can claim you as a dependent. You are considered to have a severe disability if **any** of the following apply:

- You permanently lost the use of one or both feet, or
- You permanently lost the use of both hands, or

- You are permanently blind, or
- 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:

- You have a temporary disability from an injury or illness and are expected to recover, or
- Your condition keeps you from doing your former work but allows you to do other kinds of work without special equipment.

If you have a permanent severe disability, your physician must write a letter describing your disability. Keep the letter with your 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. Call the department for more information.

6c **All dependents.** Enter the number of children you claim as dependents and your other dependents in box 6c. Fill in their first names on the line. In most cases, you must claim the same dependents claimed on your federal return.

6d **Child with a disability.** You may be entitled to an additional personal exemption for your dependent child who has a qualifying disability. To qualify, **all** of the following must be true. Your child:

- Qualified as your dependent for 2002; and
- Was age 17 or younger on December 31, 2002; and
- Was eligible for "early intervention services" or received special education as defined by the Oregon Department of Education (learning disabilities or communication disorders alone don't qualify); and
- Was considered to have a disability as of December 31, 2002, under the federal Individuals with Disabilities Education Act and related Oregon laws. Eligible disabilities include:
 - Autism.
 - Deaf-blind.
 - Hearing impairment.
 - Mental retardation.
 - Multiple disabilities.
 - Orthopedic impairment.
 - Other health impairment.
 - Serious emotional disturbance.
 - Traumatic brain injury.
 - Visual impairment.

Get a statement of eligibility that confirms one of the disabilities listed above and the cover sheet from **one** of the following:

- The child's Oregon Individualized Education Program (IEP), or
- The child's Oregon Individualized Family Service Plan (IFSP).

Keep the statement and cover sheet with your permanent health records. Write your child's name on line 6d, "Children with a disability." Also be sure to include the child's name on line 6c for "All dependents."

7a **Age 65 or older, or blind.** Check the boxes on line 7a if you or your spouse were age 65 or older or were blind on December 31, 2002. You are entitled to a larger standard deduction. See the standard deduction chart on page 24 or 31. If you or your spouse are blind, you may also qualify for the severely disabled exemption credit. See the instructions for lines 6a and 6b.

7b **Extension.** If you filed an extension of time to file, check the box on line 7b. See page 5.

7c **Deferral of gain.** Did you file federal Form 8824 because you are deferring gain on exchanged property? If so, check the box on line 7c. Also, complete and attach Oregon Form 24, *Like-Kind Exchanges/Involuntary Conversions*. See page 40 to order the form.

7d **State School Fund.** Check the box to donate your Oregon income tax kicker refund to the State School Fund. The fund is used for public elementary and secondary education. The kicker amount, if any, will be determined in the fall of 2003. If you check the box, any kicker refund that you would have received in 2003 based on your 2002 Oregon income tax will be sent directly to the State School Fund. **If you check the box, you cannot change your decision for the 2002 tax year.**

Step 4: Income line instructions.

The following instructions are for Form 40N or 40P, lines 8–30, 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 8–28, fill in the same amounts you reported on your federal return. Line 30, "Income after adjustments," must match your 2002 federal adjusted gross income from Form 1040, line 35; Form 1040A, line 21; Form 1040EZ, line 4; Form 1040NR, line 34; or TeleFile Tax Record, line I. If it does not match, please check that you transferred your federal figures correctly. If you need help, see page 40 for numbers to call.

Oregon column income

The second column is labeled “Oregon column.” Use the Oregon column to list the amount from the federal column that Oregon taxes.

Instructions for the Oregon column, lines 8–28

Nonresidents. Oregon taxes only your income from **Oregon sources**. See “What does income from Oregon sources include?” on page 3.

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. See “What does income from Oregon sources include?” on page 3.

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.

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:

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

Do not include holidays, vacation days, and sick days as days actually worked. **You must** include sick pay, holiday pay, and vacation pay in total wages. See the example on page 4. If Oregon is the only state you worked in, do not use this formula; all of your earnings are taxable and should be reported in the Oregon column.

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:

- If you are a nonresident with interstate transportation wages, you may qualify to exclude this income. See page 40 to order the information circular, *Interstate Transportation Wages*.
- Nonresidents who work on 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 or black ink**.
- Nonresidents who work as crew or pilots on a vessel on the Columbia River waterway should exclude this income from the Oregon column. Write “Columbia

River” at the top left corner of the return. Please use **blue or black 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 the part of the year you were an Oregon resident.
- 9b Dividends.** Determine the amount of dividends received from an Oregon business activity 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 the part 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 amount reported on your federal return that is:

- 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
- A refund received during the part of the year you were an Oregon resident.

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

12 Business income or loss. For the part of the year you were a nonresident, 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 the part of the year you were a resident of Oregon.

13 Capital gain or loss. For the part of the year you were a nonresident, 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 the part of the year you were an Oregon resident. Limit losses to \$3,000 (\$1,500 if married filing separately).

14 Other gains or losses. For the part of the year you were a nonresident, determine the amount of gain or loss from Oregon sources. Add to that the gain received or loss incurred for the part 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 part 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 40 for taxpayer assistance.

16 **Pensions and annuities.** Report in the Oregon column the amount of taxable pensions and annuities (including federal pensions) you received while you were an Oregon resident. If you are domiciled in Oregon, you must also include any Oregon source pensions you received. This is true even though you may qualify as a nonresident under the special-case Oregon resident or Oregon resident living abroad tests. See page 4.

For example, if you lived in Oregon before you retired **and have not changed your permanent home to another state**, you must report the pension you earned while you worked in Oregon. If you need more information, see page 40 for telephone numbers to call. If you receive a federal pension, see the instructions for line 38 on page 29.

17 **Rents, royalties, partnerships, limited liability companies, real estate investment trusts (REITs), estates, trusts, etc., from federal Schedule E.** Determine the amount of income you received from Oregon sources during the part of the year you were not a resident. Add to that the amount received during the part of the year you were an Oregon resident. Partners and S corporation shareholders may need more information. See page 40 for taxpayer assistance.

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 the part of the year you were an Oregon resident.

19 **Unemployment benefits, taxable Social Security, and all other taxable income.** Determine the amount of any unemployment benefits and any other taxable income you received during the part 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. Don't fill in any Social Security, Railroad Retirement Board benefits, or railroad unemployment benefits in the Oregon column; Oregon doesn't tax this income.

Include in the Oregon column all payments received from the Oregon Lottery. Oregon Lottery includes Powerball tickets you purchased in Oregon. See "Oregon Lottery" on page 22 or 29 to determine whether you can subtract some or all of this amount.

Adjustments to income

21 **IRA or self-employed SEP and SIMPLE contributions.** Oregon follows the federal definition of earned income and compensation used to calculate your IRA and other retirement plan deductions. Determine the amount you paid during the part of the year you were an Oregon resident. Add to that the amount calculated for the time you were a nonresident.

- **IRA.** For the part of the year you were a nonresident, determine your deduction using the following formula:

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

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

- **Self-employed SEP, SIMPLE, and qualified plans.** For the part of the year you were a nonresident, determine your allowable deduction using the following formula:

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

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

22 **Education deductions.** See the instructions below to help you figure the amounts you can claim on your Oregon return.

- **Educator expenses deduction** from federal Form 1040, line 23; or Form 1040A, line 16.

For the part of the year you were a nonresident, determine the amount of qualified educator expenses you paid while working in an Oregon elementary or secondary school. Add to that the amount you paid for qualified educator expenses during the part of the year you lived in Oregon. Enter the lesser of the result or the amount deducted on your federal return up to \$250.

- **Student loan interest deduction** from federal Form 1040, line 25; or Form 1040A, line 18.

For any part of the year you were a nonresident, calculate your deduction using the following formula:

$$\frac{\text{Oregon source income while a nonresident}}{\text{Total income from all sources while a nonresident}} \times \text{Student loan interest paid while a nonresident} = \text{Nonresident deduction}$$

Add to that all interest paid during the part of the year you were an Oregon resident. Enter the lesser of the result or the amount deducted on your federal return.

- **Tuition and fees deduction** from federal Form 1040, line 26; or Form 1040A, line 19.

For any part of the year you were a nonresident, calculate your deduction using the following formula:

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

Add to that the amount of qualified education expenses you paid during the part of the year you were an Oregon resident. Enter the lesser of the result or the amount deducted on your federal return, but no more than \$3,000.

Add together your educator expense deduction, student loan interest deduction, and tuition and fees deduction. Enter the total on Form 40N or 40P, line 22.

23 Archer MSA contributions. Use the formula for IRA deductions on page 11 to figure the portion of the federal deduction allowed for Oregon while you were a nonresident. Add to that the federal deduction amount for the 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:

- You qualified to take them on your federal return, and
- They are connected with gaining employment in Oregon, or
- You paid the qualified moving expenses **after** moving to Oregon to take a job in another state.

Otherwise, enter -0-.

Example 1: If you moved from California to Washington to take a job in Oregon, fill in your allowable moving expenses in the Oregon column.

Example 2: If you left Oregon to take a job in another state, you cannot deduct your moving expenses.

Example 3: Camille moved from Michigan to Oregon on May 23, 2002, to begin work in Washington. She paid her moving expenses on June 30, 2002. While the expenses are not related to Oregon employment, Camille can deduct them because they were paid after she became a resident of Oregon.

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

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

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

The Oregon deduction cannot be more than 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:

$$\frac{\text{Total Oregon source health insurance premiums}}{\text{Total Oregon source health insurance premiums}} \times .70 (70\%) = \text{Oregon deduction}$$

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

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

$$\frac{\text{Oregon source income}}{\text{Total income}} \times \frac{\text{Alimony paid}}{\text{Alimony paid}} = \text{Oregon deduction}$$

Add the alimony you paid while you were a resident.

Nonresident filers go to page 21 to complete Form 40N.

Part-year resident filers go to page 28 to complete Form 40P.

Form 40N Front

The tax forms are a separate download. You will find them at:
<http://www.dor.state.or.us/formspit.html>

Form 40N Back

The tax forms are a separate download. You will find them at:
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Form 40N Front

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Form 40N Back

The tax forms are a separate download. You will find them at:
<http://www.dor.state.or.us/formspit.html>

Form 40P Front

The tax forms are a separate download. You will find them at:
<http://www.dor.state.or.us/formspit.html>

Form 40P Back

The tax forms are a separate download. You will find them at:
<http://www.dor.state.or.us/formspit.html>

Form 40P Front

The tax forms are a separate download. You will find them at:
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Form 40P Back

The tax forms are a separate download. You will find them at:
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Form 40N instructions, lines 31–83

For general Form 40N instructions and lines 1–30, see page 8.

Additions

Generally, additions are items the federal government does not tax but Oregon does. Additions increase your federal adjusted gross income.

31 Interest and dividends on state and local government bonds outside of Oregon.

Federal column. If you didn't include this income in your federal income, fill in the amount of interest and dividends 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 on line 9 of the Oregon column, fill in the amount of interest and dividends you received from state 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 report interest or dividends of your minor child on your federal return? If so, you must add the amount that is subject to the special federal tax to your Oregon income.

Federal column. Fill in the smaller of line 7 or 8 from federal Form 8814. Add to that any interest or dividends your child received from state and local governments outside of Oregon.

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. Include interest and dividends from state and local governments other than Oregon that your child received while an Oregon resident.

33 Other additions. You may need to report one or more other additions explained below. Please identify the addition(s) in the space on line 33. Use the title shown in bold or the abbreviation shown in brackets. If you have more than one addition, show the type and amount of each on the form, not on a separate sheet. Fill in the total amount of "other additions" on line 33.

- **Difference in depreciation for Oregon [Dif dep].** You may need the *Oregon Depreciation Schedule*. See page 40 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.

- **Unused business credits [UBC].** Did you claim a deduction on your federal return for unused business credits? If so, you must add this amount to Oregon income. Include it in both the federal and Oregon columns.
- 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 40 for taxpayer assistance.
 - Claim of right [COR].
 - Depletion in excess of basis [Depl].
 - Fiduciary adjustments from Oregon estates and simple or complex trusts [Fid].
 - Gain or loss on the sale of depreciated property with an Oregon basis that is different from the federal basis [Basis dif].
 - Gain on sale of inherited Oregon farm or forest property acquired from a decedent who died before January 1, 1987 [Inher F/F].
 - Individual Development Account [IDA].
 - Long-term care insurance premiums [LTCIP].
 - Lump-sum distributions [Lump-sum].
 - Non-qualified withdrawal from an Oregon qualified tuition savings plan [QTSP].
 - Passive activity losses [PAL].

Subtractions

Generally, subtractions are items the federal government taxes but Oregon does not. Subtractions reduce your federal adjusted gross income.

37 Social Security and tier 1 Railroad Retirement Board income. Subtract Social Security and tier 1 Railroad Retirement Board benefits **only** if you included them in the federal column on line 19.

38 Other subtractions. You may qualify for one or more other subtractions explained below. Please identify the subtraction(s) in the space on line 38. Use the title shown in bold or the abbreviation shown in brackets. If you have more than one subtraction, show the type and amount of each on the form, not on a separate sheet. Fill in the total amount of "other subtractions" on line 38.

- **Difference in depreciation for Oregon [Dif dep].** You may need the *Oregon Depreciation Schedule*. See page 40 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.

- **Federal pension [Fed pen].** If you have federal pension income, see page 29 for Form 40P, line 38 instructions.
- **Interest and dividends from the U.S. government [US int].**

Federal column. On line 38a, 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: You may subtract 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. You must reduce U.S. government interest 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 reported 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 38b.

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 line 38a.

Oregon column. On line 38b, fill in Oregon local government bond interest if you included it in Oregon income on line 9.

- **Military active duty pay [Military].** Did you report U.S. military active duty pay in income on line 8? If so, you may qualify for a subtraction.

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

Federal column. From the wages you reported on line 8 of the federal column you may subtract:
— All active duty pay earned outside of Oregon, and
— Up to \$3,000 active duty pay earned in Oregon.

Oregon column. Nonresidents—don't fill in any amount. Military active duty pay of a nonresident is not Oregon source income and should not be reported. There is nothing to subtract. **Full-year and part-year residents—**from the wages you reported on line 8 of the Oregon column you may subtract:

- All active duty pay earned outside of Oregon, and
- Up to \$3,000 active duty pay earned in Oregon.

Don't subtract drill pay and weekend meeting pay for members of reserve units or the Oregon National Guard. Report that pay in the Oregon column, line 8.

Note: Your total active duty pay subtractions cannot be more than your total active duty pay income.

- **Oregon Lottery [OR lott].** Oregon does not tax Oregon Lottery winnings of \$600 or less per ticket. Oregon Lottery includes Powerball tickets you purchased in Oregon.

Federal column and Oregon column. From the winnings you reported on line 19 you may subtract:

- Winnings of \$600 or less from each single ticket, and
- Annual payments from tickets purchased prior to 1998.

Are you claiming gambling losses as an itemized deduction? If so, you also may need to reduce them. See instructions for line 46, page 24. If you need help, see page 40 for telephone numbers to call.

- **Oregon Qualified Tuition Savings Program [QTSP].** You may subtract contributions you made to an Oregon qualified tuition savings plan in 2002, but not more than \$2,000 (\$1,000 if married filing separately). Keep a copy of your account statement with your tax records. For information about qualified tuition savings plans in Oregon, call the State Treasury at 503-378-2882.

Federal column and Oregon column. Subtract the qualified contributions you made during the year to an Oregon qualified tuition savings plan.

- **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 Board benefits [RR].**

Federal column. Fill in your tier 2, supplemental, wind-fall, and dual-vested Railroad Retirement Board 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 benefits are not included in Oregon income. See page 11, line 19. Oregon does not tax Railroad Retirement Board benefits or railroad unemployment benefits.

- The following subtractions apply to only a few people and are not explained in this booklet. See page 40 for taxpayer assistance. Make the subtraction in **both** the

federal and Oregon columns if the related income was included in both columns.

- Business expenses reduced because of federal tax credits (e.g., targeted jobs, work opportunities) [Fed exp].
- Certain pension distributions when the contributions were taxed by another state [Prev tax].
- Claim of right [COR].
- Federal gain previously taxed by Oregon [Fed gain].
- Fiduciary adjustments from Oregon estates and simple or complex trusts [Fid].
- Gain or loss on the sale of depreciable property with an Oregon basis that is different from the federal basis [Basis dif].
- Income earned by an enrolled member of a federally recognized tribe while living on and working on federally recognized land held in trust by the United States for a tribe [Amer Ind].
- Individual Development Accounts [IDA].
- Land donation to an educational institution [Land].
- Logger and construction worker commuting costs [LCCC].
- Passive activity losses [PAL].
- Public Safety Memorial Fund Board payments [Memorial].
- Scholarship awards used for housing expenses [Sch housing].
- Taxable employee benefits of a same-sex domestic partner [Partner].

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-.**

	Line 39b	Line 39a	Oregon percentage Line 40
Example	1	\$8,000 ÷ \$30,000 =	.266666 Round to .267 (26.7%)
	2	(1,000) ÷ 15,000 =	-0- (0%)
	3	20,000 ÷ 15,000 =	1.333 Limited to 1.000 (100.0%)

If the amount on line 39b is **greater than** the amount on line 39a, your Oregon percentage is 100 percent. This is true even when line 39a is a negative number.

Deductions and modifications

You may claim either net itemized deductions or Oregon's standard deduction, whichever is larger, but not both.

41 Itemized deductions. Generally, you may claim your total itemized deductions after federal limitations 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: If you are married filing separately, you must itemize deductions if your 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 8. 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. Are you claiming a credit for income taxes paid to another state? If so, include the other state's tax after credits or the other state's tax claimed as an itemized deduction, whichever is less. See page 35, Form 40P, line 60 instructions.

Did you limit itemized deductions on your federal return because your adjusted gross income (AGI) exceeded \$137,300 (\$68,650 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 40 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	\$1,640
Married filing jointly	3,280
Married filing separately	
If spouse claims standard deduction ...	1,640
If spouse claims itemized deductions	-0-
Head of household	2,640
Qualifying widow(er)	3,280

Exception 1: If someone else can claim you as a dependent, your standard deduction is limited to the **larger** of:

- Your earned income plus \$250, up to the maximum allowed for your filing status as shown above; or
- \$750.

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

Standard deduction worksheet for dependents

- | | | |
|--|-----|-------------|
| 1. Enter your earned income. | 1. | _____ |
| 2. Additional set amount. | 2. | _____ 250 |
| 3. Add lines 1 and 2. | 3. | _____ |
| 4. Minimum standard deduction set amount. | 4. | _____ 750 |
| 5. Enter the larger of line 3 or line 4. | 5. | _____ |
| 6. Basic standard deduction for single. | 6. | _____ 1,640 |
| 7. Enter the smaller of line 5 or line 6. | 7. | _____ |
| 8. If you are under age 65, enter -0-.
If you are age 65 or older, enter \$1,200. | 8. | _____ |
| 9. If you are not blind, enter -0-.
If you are blind, enter \$1,200. | 9. | _____ |
| 10. Add lines 7, 8, and 9 and enter the total here and on Form 40N, line 44.
This is your standard deduction. | 10. | _____ |

Exception 2: The standard deduction for nonresident aliens is -0-.

Exception 3: If you or your spouse are age 65 or older, you are entitled to a larger standard deduction amount. Also, if you or your spouse are blind, you are entitled to a larger standard deduction amount. Use the chart below to determine your standard deduction.

Age 65 or older, or blind

<p>1. Check the correct number of boxes:</p> <p>Yourself <input type="checkbox"/> 65 or older <input type="checkbox"/> Blind</p> <p>Your spouse, if claiming spouse's exemption <input type="checkbox"/> 65 or older <input type="checkbox"/> Blind</p> <p>2. Enter total number of boxes checked <input type="checkbox"/></p>		
3. If your filing status is...	And the number in the box above is...	Then your standard deduction is...
Single	1	\$ 2,840
	2	4,040
Married filing jointly	1	4,280
	2	5,280
	3	6,280
	4	7,280
Married filing separately	1	2,640
	2	3,640
	3	4,640
	4	5,640
Head of household	1	3,840
	2	5,040
Qualifying widow(er)	1	4,280
	2	5,280

Fill in the total standard deduction on Form 40N, line 44.

45 **2002 federal tax liability.** Carefully follow the instructions below. Don't confuse your **federal tax liability** on 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 \$3,250. Don't fill in less than -0- or more than \$3,250 (\$1,625 if married filing separately).

1. Fill in your federal tax liability from Form 1040, line 55*; Form 1040A, line 36; Form 1040EZ, line 10; Form 1040NR, line 51*; or TeleFile Tax Record, tax from second box, line K.
2. Fill in \$3,250 (\$1,625 if married filing separately).
3. Fill in the lesser of line 1 or line 2 here and on Form 40N, line 45.

* *Did you have tax on qualified retirement plans, Form 1040, line 58; or Form 1040NR, line 54? If so, include it in your federal tax liability amount on line 1 above.*

Caution: Don't add:

- Self-employment tax, Form 1040, line 56.
- Social Security and Medicare tax on tips, Form 1040, line 57; or Form 1040NR, line 53.
- Advance earned income credit payments, Form 1040, line 59; or Form 1040A, line 37.
- Household employment taxes, Form 1040, line 60; or Form 1040NR, line 56.

If you file married filing separately for Oregon only, multiply your joint federal tax liability (after credits) by the percentage calculated on page 8. Each spouse is limited to a maximum subtraction of \$1,625.

Did you pay additional federal tax in 2002 because you were audited or you filed an amended return? If so, read the instructions for line 46 below.

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. Identify the deduction or modification in the space on the form. Use the title shown in bold or the abbreviation shown in brackets. If you have more than one, show the type and amount of each on the form, not on a separate sheet. 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 income tax refunds [Fed ref].** Did you get a federal tax refund in 2002 because you were audited or because you amended a prior year return? If so, fill in and clearly bracket the amount on line 46 if you subtracted that amount on a prior Oregon return.
- **Federal tax from a prior year [Prior fed].** Did you pay additional federal tax in 2002 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 from 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 \$3,250 (\$1,625 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 smaller 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 2002? 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 \$3,250 (\$1,625 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, if any (see instructions above).

Step 2: On Form 40N, line 46; or Form 40P, line 47, fill in the smaller 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 \$3,250 (\$1,625 if married filing separately).

- **Gambling losses claimed as an itemized deduction [Gambling].** Did you have winnings from the Oregon Lottery 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.
- **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, 2002. **You must itemize your deductions for Oregon.** Fill in the smaller 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 "[Art]." Call the department to order the information circular, *Artist's Charitable Contribution Subtraction*.

Oregon tax

52 **Tax rate chart method.** Figure the tax on taxable income, line 51. Most people go directly to the rate charts on page 38. Because of the January 28, 2003, election, two sets of tax rate charts are provided. See page 2 for an explanation of which chart to use. Fill in the amount of tax on line 52. Please double-check the tax you figured.

If you sold or exchanged farm assets to get out of a farming business, go to line 53. If you want to use farm income averaging to compute your Oregon tax, go to line 53.

Example: A married couple's Oregon taxable income, line 51, is \$19,500. They are filing jointly. They will use either the purple or green chart J for married filing jointly, depending on the January 28 election outcome. They figure their tax like this:

	PURPLE CHART	GREEN CHART
Oregon taxable income	\$ 19,500	\$ 19,500
Subtract	– 12,500	– 12,550
	<u>7,000</u>	<u>6,950</u>
Multiply by 9% (or 9.5%)	× .09	× .095
	<u>630</u>	<u>660</u>
Then add	+ 775	+ 779
Their Oregon tax is	<u>\$ 1,405</u>	<u>\$ 1,439</u>

53 **Tax from Form FIA-40N or Worksheet FCG.** If you qualify, you can compute your Oregon tax using one of the following methods:

Farm income averaging method. You can use the farm income averaging method to compute your Oregon tax even if you didn't use farm income averaging on your federal return. Only Oregon source farm income is considered elected farm income.

Use Form FIA-40N, *Oregon Farm Income Averaging for Nonresidents*, to calculate your tax on your farm income and your other Oregon income. See page 40 to order the form and instructions. Enter the tax amount from Form FIA-40N, line 20, on Form 40N, line 53. Be sure to check the box labeled "Form FIA-40N" and attach a copy to your return.

Farm asset capital gain method. Did you sell or exchange capital assets primarily used in farming because you were getting out of a farming business? Or, did you sell or exchange a farming partnership, corporation, or other farming entity in which you held at least a 10 percent ownership interest? If the sale or exchange was not to a family member and you were getting out of a farming business completely, you may be eligible for a reduced tax rate on the net capital gain from the proceeds of the sale or exchange.

Use Worksheet FCG, *Farm Liquidation Long-Term Capital Gain Tax Rate*, to calculate tax on your net farm capital gain and your other Oregon income. Call the department to order this worksheet. Enter the tax amount from Worksheet FCG, line 6, on Form 40N, line 53. Be sure to check the box labeled "Worksheet FCG."

54 **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 interest rate for 2002 is 8 percent per year.

See page 32, Form 40P, line 53 instructions, for more information. Enter the amount on line 54.

Credits

- When claiming an Oregon tax credit, you must claim the maximum credit allowed each year, up to your tax liability.

- 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.

57 **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. See Form 40P, line 56 instructions on page 32.

58 **Working family child care credit.** This credit is available to low-income families with **qualifying child care expenses**. See Form 40P, line 57 instructions on page 32.

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

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

See page 35, Form 40P, line 60 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. See our Web site for links to other states' tax Web sites.

60 **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. You must prorate this credit. 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 41; or Form 1040A, line 27 is:		Your decimal amount is:
Over—	But not over—	
—	\$5,000	.30
\$5,000	10,000	.15
10,000	15,000	.08
15,000	25,000	.06
25,000	35,000	.05
35,000	45,000	.04
45,000	—	.00

3. Multiply the amount on line 1 above 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 here and on Form 40N, line 60; or Form 40P, line 59. 4. _____

Did you pay 2001 child care expenses in 2002? If so, multiply your 2001 expenses that you paid in 2002 included in the computation of your federal credit by the decimal amount that applies to your 2001 federal taxable income.

Multiply this amount by the Oregon percentage from your 2001 return. Enter the result on Form 40N, line 60; or Form 40P, line 59. See page 40 for taxpayer assistance information.

Carryforward. Your total 2002 child and dependent care credit can't be more than your 2002 tax liability for Oregon. You can carry forward any excess over the next five years. If the excess isn't used within five years, it's lost. See instructions for line 61 below.

61 **Other credits.** You may qualify for other credits explained below. Identify the credit(s) you are claiming in the space on line 61. Use the title shown in bold or the abbreviation shown in brackets. If you have more than one credit, show the type and amount of each on the form, not on a separate sheet. Fill in the total amount of "other credits" on line 61.

- **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 61. The amount of prior year carryover plus your current year's credit can't exceed your Oregon tax liability. If it does, you can carry forward the excess credit over the next five years. If the excess isn't used within five years, it's lost.
- **Elderly or the disabled [OR CED].** The Oregon credit is 40 percent of the federal credit. You may claim an Oregon credit only if you qualify for 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**.
- **Political contribution [PCC].** Fill in your total political contributions, but not more than \$100 on a joint return or \$50 on all others. You must have made the contributions during 2002. Your contributions must have been a donation of money to any of the following:
 - A political party.
 - A qualified candidate (or the candidate's principal campaign committee) for federal, state, or local office to be voted for in Oregon.
 - A political action committee certified in Oregon.

Call the department to order the information circular, *Political Contributions Tax Credit*. Or, download it from our Web site.

- **Retirement income [RIC].** An eligible full-year or part-year resident can claim this credit when filing jointly with a nonresident spouse on Form 40N. See Form 40P, line 58 instructions, on page 33.
- The following credits apply to only a few people. Some are prorated using your Oregon percentage and some aren't. See page 40 for telephone numbers to call for instructions.

- Adoption [Adopt].¹
- Advanced telecommunications facilities [ATF].^{1, 2}
- Bone marrow donation program [Marrow].
- Business energy [Bus en].
- Child Care Division contributions [CCD].²
- Claim of right [COR].
- Dependent care assistance [DCA].
- Donated crops [Crops].¹
- Electronic commerce zone investment [ECZI].²
- Employer scholarship [Emp Sch].^{1, 2}
- Farmworker housing [Farm hsn].¹
- First Break Program [1 break].¹
- Fish habitat improvements [Fish hab].¹
- Fish screening devices [Fish scrn].¹
- Gain from the sale of your house also taxed by another state or country [Hse gain].
- Home care of a person age 60 or older [HCE].
- Long-term care insurance premiums [LTCIP].¹
- Loss of use of limbs [Limbs].
- On-farm processing facilities [On-farm].^{1, 2}
- Oregon Cultural Trust [OCT].^{1, 2}
- Pollution control facilities [Poll fac].
- Pollution prevention [Poll prev].
- Reforestation of underproductive forest lands [Reforest].
- Reservation enterprise zone [Tribal EZ].^{1, 2}
- Residential energy devices [Res en].¹
- Rural medical practitioners [Rural med].¹

¹Prorated credit (multiplied by Oregon percentage).

²New for 2002.

Tax payments, penalties, and interest

- 64 Oregon income tax withheld.** Fill in the total Oregon tax withheld from your wages and other income 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 Oregon tax withheld. Proof may include a final paycheck stub or a letter from your employer. If you file before February 1, 2003, we can accept only Form(s) W-2 or 1099 as proof of Oregon tax withheld.

If you have tax to pay this year, you may want to increase the amount your employer withholds from your 2003

wages for Oregon. Call the department to order the information circular, *Oregon Income Tax Withholding: Some Special Cases*. Or, download it from our Web site.

- 65 Estimated tax payments for 2002.** Fill in the total Oregon estimated tax payments you made before filing your 2002 Oregon return. Include any payments made with your extension. Also, include any refund applied from your 2001 income tax return. If the department adjusted your 2001 refund, be sure to use the corrected amount.

- 69 Penalty and interest.** Your return is due April 15, 2003, unless you file for an extension.

Penalty. Include a penalty payment if you:

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

The 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 15, 2003.
3. Pay the balance of tax due when you file by the extension deadline.
4. Pay the interest on the balance of tax when you file or within 30 days of our billing date.

Interest. If you are paying your tax after April 15, 2003, include interest on any unpaid tax. An interest period is each full month starting with the day after the due date. For example, April 16, 2003, through May 15, 2003, is a full month. The current interest rate is .5833 percent per month (7 percent per year).

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

$$\text{Tax} \times .000192 \times \text{number of days}$$

If the tax is not paid within 60 days of our bill, the interest rate increases to 11 percent per year.

- 70 Interest on estimated tax underpayment.** You have an underpayment if you paid less than 90 percent of the tax due on each estimated tax payment date, based on the 9 percent tax rate (purple chart, page 38). If you have an underpayment, you must file Oregon Form 10, *Underpayment of Oregon Estimated Tax*. See page 40 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 generally don't have an underpayment if you owe less than \$1,000 tax on your 2002 return after you subtract your credits and Oregon tax withheld.

72 Amount you owe.

- Make your check or money order payable to “**Oregon Department of Revenue.**” Do not make your payment out to “IRS,” “Treasury,” or “Internal Revenue Service.”
- Write your Social Security number and “2002 Oregon Form 40N” on your check.
- Please use **blue or black ink**. Do not use gel pens or red ink.
- **Don't send cash or a postdated check.**
- Staple your payment and Form RPC, the payment coupon (page 7), to your return on top of the Form(s) W-2. If the amount is less than \$1, no payment is required.

We cannot accept credit cards or withdraw funds from your bank account for your payment.

Payment plan. If you can't pay in full now, we will work with you to set up a payment plan for the amount you don't pay with your return. See page 39 for more information.

Special instructions. Do you owe interest on line 70 and have an overpayment on line 67? If the interest you owe is more than your overpayment, you have an amount due. Subtract line 67 from line 71 and enter the result on line 72.

If you don't have a refund but want to contribute to a charity listed on lines 75–80, mail your donation to the charity's address shown on pages 36 and 37. Please do not mail your donation to the Department of Revenue.

Go to the signature block section on page 37 to finish your return.

73 Refund. You must have a refund of \$1 or greater on line 73 to use lines 74–83.

74 Estimated tax. If your refund on line 73 is \$1 or more, you may apply part or all of it to your 2003 estimated tax. Fill in the amount you want to apply. Don't fill in less than \$1 or more than the amount on line 73.

75–79 Charitable checkoff. You may donate all or part of your refund to the charities

listed on the form. Donations will reduce your refund. You may donate to any or all of the charities on lines 75–79. See page 36 for charity descriptions. You may also want to donate to one of the charities listed under the instructions for line 80 on page 36. Or, you can mail your donations to the addresses shown on pages 36 and 37.

80 Other charity. You may donate all or part of your refund to one of the charities listed on pages 36 and 37. Enter the code of the charity on line 80. **Only one code may be entered.** Check the box for the amount you want to donate and write it on line 80. Or, you can mail your donations to the charity. See pages 36 and 37.

82 Net refund. You must **reduce your refund** by any amounts applied to 2003 estimated tax and donations on lines 74–80. By law, the Oregon Department of Revenue cannot refund or apply 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. Do not send in Form RPC, the payment coupon, with your return if you are claiming a refund.

83 Direct deposit. Complete line 83 if you want us to deposit your refund directly into your bank account instead of sending you a check.

1. **Contact your bank** to make sure your deposit will be accepted and to get your correct routing and account numbers.
2. **Check the appropriate box** for account type. Check **either** checking or savings, but not both.
3. **Enter your nine-digit routing number.** The routing number must begin with 01 through 12, or 21 through 32.
4. **Enter the account number** of the account into which you want your refund deposited. The account number can be up to 17 characters (both numbers and letters). Include hyphens, but don't include spaces and special symbols. Enter the number left to right and leave any unused boxes blank.

Go to the signature block section on page 37 to finish your return.

Form 40P instructions, lines 31–83

For general Form 40P instructions and lines 1–30, see page 8.

Additions

Generally, additions are items the federal government does not tax but Oregon does. Additions increase your federal adjusted gross income.

31 Interest and dividends on state and local government bonds outside of Oregon.

Federal column. If you didn't include this income in your federal income, fill in the amount of interest and

dividends you received from state and local governments outside of Oregon.

Oregon column. Fill in the amount of interest and dividends you received from state 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 report the interest or dividends of your minor child on your federal return? If so, see instructions for Form 40N, line 32 on page 21.

33 Other additions. You may need to report one or more other additions. See page 21.

Subtractions

Generally, subtractions are items the federal government taxes but Oregon does not. Subtractions reduce your federal adjusted gross income.

37 Social Security and tier 1 Railroad Retirement Board income. Subtract Social Security and tier 1 Railroad Retirement Board benefits **only** if you included them in the federal column 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 line 38. Use the title shown in bold or the abbreviation shown in brackets. If you have more than one subtraction, show the type and amount of each on the form, not on a separate sheet. Fill in the total amount of “other subtractions” on line 38.

- **Claim of right [COR].** Were you taxed in a prior year on income such as unemployment benefits that you are repaying? If so, you may be able to claim a subtraction for the income you repaid. Contact the department for more information. See page 40.
- **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 40 to order the schedule.
- **Federal pension income [Fed pen].** You may be able to subtract some or all of the pension included in 2002 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, 2002. 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, double-check that you reported your pension income on the correct line and attach your federal return.

- **Interest and dividends from the U.S. government [US int].** If you included interest and dividends from the U.S. government on your federal return, see page 22 of 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 line 38a.

Oregon column. On line 38b, fill in Oregon local government bond interest if you included it in Oregon income on line 9.

- **Military active duty pay [Military].** Military active duty pay qualifies for a subtraction. See page 22 of Form 40N instructions.
- **Oregon Lottery [OR lott].** Oregon does not tax Oregon Lottery winnings of \$600 or less per ticket. Oregon Lottery includes Powerball tickets you purchased in Oregon.

Federal column and Oregon column. From the winnings you reported on line 19 you may subtract:
— Winnings of \$600 or less from each single ticket, and
— Annual payments from tickets purchased prior to 1998.

You may also need to reduce your gambling losses claimed on Schedule A. See instructions for line 47 on page 31.

- **Oregon Qualified Tuition Savings Program [QTSP].** You may subtract up to \$2,000 in contributions you made to an Oregon qualified tuition savings plan in 2002. See Form 40N instructions, page 22.
- **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 Board benefits [RR].**

Federal column. Fill in your tier 2, supplemental, windfall, and dual-vested Railroad Retirement Board 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 Board or railroad unemployment benefits.

- There are also subtractions that apply to only a few people. They are listed on pages 22 and 23 of Form 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-.

	Line 39b	Line 39a	Oregon percentage Line 40
Example			
1	\$8,000 ÷	\$30,000 =	.266666 Round to .267 (26.7%)
2	(1,000) ÷	15,000 =	-0- (0%)
3	20,000 ÷	15,000 =	1.333 Limited to 1.000 (100.0%)

If the amount on line 39b is **larger than** the amount on line 39a, your Oregon percentage is 100 percent. This is true even when line 39a is a negative number.

Deductions and modifications

You may claim either net itemized deductions or Oregon's standard deduction, whichever is larger, but not both.

42 **Itemized deductions.** Generally, you may claim your total itemized deductions after federal limitations as 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 federal Schedule A. Use your federal adjusted gross income to figure the Schedule A limitations. Keep Schedule A with your tax records.

Note: If you are married filing separately, you must itemize deductions if your 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 8. You may separate each spouse's itemized deductions if you can clearly identify your own itemized deductions.

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. Are you claiming a credit for income taxes paid to another state? If so, 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 60, page 35.

Did you limit itemized deductions on your federal return because your adjusted gross income exceeded \$137,300 (\$68,650 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 40 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	\$1,640
Married filing jointly	3,280
Married filing separately	
If spouse claims standard deduction ...	1,640
If spouse claims itemized deductions	-0-
Head of household	2,640
Qualifying widow(er)	3,280

Exception 1: If someone else can claim you as a dependent, your standard deduction is limited to the **larger of:**

- Your earned income plus \$250, up to the maximum allowed for your filing status as shown above, or
- \$750.

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

Standard deduction worksheet for dependents

1. Enter your earned income.	1.	_____
2. Additional set amount.	2.	250
3. Add lines 1 and 2.	3.	_____
4. Minimum standard deduction set amount.	4.	750
5. Enter the larger of line 3 or line 4.	5.	_____
6. Basic standard deduction for single.	6.	1,640
7. Enter the smaller of line 5 or line 6.	7.	_____
8. If you are under age 65, enter -0-. If you are age 65 or older, enter \$1,200.	8.	_____
9. If you are not blind, enter -0-. If you are blind, enter \$1,200.	9.	_____
10. Add lines 7, 8, and 9 and enter the total here and on Form 40P, line 45. This is your standard deduction.	10.	_____

Exception 2: The standard deduction for nonresident aliens is -0-.

Exception 3: If you or your spouse are age 65 or older, you are entitled to a larger standard deduction amount. Also, if you or your spouse are blind, you are entitled to a larger standard deduction amount. Use the chart on the next page to determine your standard deduction.

See page 2 for an explanation of which chart to use. Fill in the amount of tax on line 50. Please double-check the tax you figured.

If you sold or exchanged farm assets to get out of a farming business, go to line 52. If you want to use farm income averaging to compute your Oregon tax, go to line 52.

Example: A single taxpayer's taxable income is \$19,500. The taxpayer will use either the purple or green chart S for single taxpayers, depending on the January 28 election outcome. The tax is figured like this:

	PURPLE CHART	GREEN CHART
Taxable income	\$ 19,500	\$ 19,500
Subtract	- 6,250	- 6,275
	13,250	13,225
Multiply by 9% (or 9.5%)	× .09	× .095
	1,193	1,256
Then add	+ 388	+ 389
The tax is:	\$ 1,581	\$ 1,645

52 **Tax from Form FIA-40P or Worksheet FCG.** If you qualify, you can compute your Oregon tax using one of the following methods:

Farm income averaging method. You can use the farm income averaging method to compute Oregon tax even if you didn't use farm income averaging on your federal return.

Use Form FIA-40P, *Oregon Farm Income Averaging for Part-Year Residents*, to calculate tax on your farm income and your other Oregon income. See page 40 to order this form and instructions. Enter the tax amount from Form FIA-40P, line 18, on Form 40P, line 52. Be sure to check the box labeled "Form FIA-40P" and attach a copy to your return.

Farm asset capital gain method. Did you sell or exchange capital assets primarily used in farming because you were getting out of a farming business? Or, did you sell or exchange a farming partnership, corporation, or other farming entity in which you held at least a 10 percent ownership interest? If the sale or exchange was not to a family member and you were getting out of a farming business completely, you may be eligible for a reduced tax rate on the net capital gain from the proceeds of the sale or exchange.

Use Worksheet FCG, *Farm Liquidation Long-Term Capital Gain Tax Rate*, to calculate tax on your net farm capital gain and your other Oregon income. See page 40 to order this form. Enter the tax amount from Worksheet FCG, line 7, on Form 40P, line 52. Be sure to check the box labeled "Worksheet FCG."

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 interest rate for 2002 is 8 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 Form 40P, line 53; or Form 40N, line 54.

Credits

When claiming an Oregon tax credit, you must claim the maximum credit allowed each year, up to your tax liability.

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.

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. You must prorate this credit. Your Oregon credit is 5 percent of your federal credit multiplied by your Oregon percentage. For example, if your federal credit is \$400, your Oregon credit is \$20 ($\$400 \times .05$) multiplied by your Oregon percentage from line 40.

Use the following formula to compute your credit:

1. Enter your federal earned income credit from Form 1040EZ, line 8; Form 1040A, line 41; Form 1040, line 64; or TeleFile Tax Record, line L(2). 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 or Form 40N, line 40). Enter here and on Form 40P, line 56; or Form 40N, line 57. 4. _____

The Oregon earned income credit is limited to your tax liability. You cannot carry over to next year any amount that exceeds your tax liability.

57 **Working family child care credit.** This credit is available to low-income families with **qualifying child care expenses**. You must prorate this credit. You qualify for this credit if **all** of the following are true:

- You paid child care expenses to allow you and your spouse to be employed or attend school; and
- Your adjusted gross income (Form 40P or Form 40N, line 30a) is less than the limit for your household size (see tables on page 34); and
- Your child care expenses are for your child under age 13 (or for your child with a disability, see page 9); and

- Care is not provided by the child's parent or guardian (unless provided in a licensed or registered child care facility); and
- Care is not provided by the qualifying child's brother or sister under age 19; and
- You have earned income of at least \$6,500; and
- You have less than \$2,550 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, 2002.

Use the following worksheet to figure your credit:

Household size

1. Enter the number of exemptions reported on your federal return. 1. _____
2. Add **your** children who live with you whose exemption is claimed by the other parent. 2. _____
3. Line 1 plus line 2. This is your household size. 3. _____

Credit amount

4. Enter your adjusted gross income from Form 40P or Form 40N, line 30a. 4. _____
5. Enter total qualifying child care expenses you paid in 2002. 5. _____
6. Enter the decimal amount from the correct table on page 34. The tables are based on household size (line 3 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; or Form 40N, line 40). Enter here and on Form 40P, line 57; or Form 40N, line 58. 8. _____

The working family child care credit is limited to your tax liability. You cannot carry over to next year any amount that exceeds your tax liability. If you qualify, you may claim this credit in addition to the child and dependent care credit.

58 Retirement income credit. If you were age 62 or older on December 31, 2002, 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 Railroad Retirement Board benefits. Retirement income includes payments reported in Oregon taxable income from:

- U.S. government pensions (includes military).
- State or local government pensions.
- Employee pensions.
- Individual retirement plans.

- Deferred compensation plans including defined benefit, profit sharing, and 401(k).
- Employee annuity plans.

Use the following worksheet to figure your credit:

1. Enter the retirement income of the eligible individual(s) from the Oregon column, lines 15 and 16. 1. _____
2. Enter any federal pension income subtracted on line 38b. 2. _____
3. Net Oregon taxable pension. Line 1 minus line 2. 3. _____
4. Enter \$7,500 (\$15,000 if married filing jointly). 4. _____
5. Enter both spouses' total 2002 Social Security and tier 1 Railroad Retirement Board benefits. 5. _____
6. Line 4 minus line 5, but not less than -0-. 6. _____
7. Enter your household income. See below to determine your household income. 7. _____
8. Household income base. Enter \$15,000 (\$30,000 if married filing jointly). 8. _____
9. Line 7 minus line 8, but not less than -0-. 9. _____
10. Line 6 minus line 9, but not less than -0-. 10. _____
11. Enter the smaller of line 3 or line 10. 11. _____
12. Multiply line 11 by 9% (.09). Enter the result here and on Form 40P, line 58; or Form 40N, line 61. 12. _____

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 Board 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 40 for numbers to call.

Note: The credit can't be more than your tax liability. You cannot carry over to next year any amount that exceeds your tax liability. You may claim this credit or the credit for the elderly or the disabled, **but not both**.

59 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 26 of Form 40N, line 60 instructions to figure your credit.

Working Family Child Care Credit—2002 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:	
—	\$17,700	.40
\$17,700	18,600	.36
18,600	19,500	.32
19,500	20,400	.24
20,400	21,250	.16
21,250	22,150	.08
22,150	—	.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:	
—	\$23,900	.40
\$23,900	25,050	.36
25,050	26,250	.32
26,250	27,450	.24
27,450	28,650	.16
28,650	29,850	.08
29,850	—	.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:	
—	\$30,050	.40
\$30,050	31,550	.36
31,550	33,050	.32
33,050	34,550	.24
34,550	36,050	.16
36,050	37,550	.08
37,550	—	.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:	
—	\$36,200	.40
\$36,200	38,000	.36
38,000	39,800	.32
39,800	41,650	.24
41,650	43,450	.16
43,450	45,250	.08
45,250	—	.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:	
—	\$42,350	.40
\$42,350	44,500	.36
44,500	46,600	.32
46,600	48,700	.24
48,700	50,850	.16
50,850	52,950	.08
52,950	—	.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:	
—	\$48,500	.40
\$48,500	50,950	.36
50,950	53,350	.32
53,350	55,800	.24
55,800	58,200	.16
58,200	60,650	.08
60,650	—	.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:	
—	\$54,700	.40
\$54,700	57,400	.36
57,400	60,150	.32
60,150	62,900	.24
62,900	65,600	.16
65,600	68,350	.08
68,350	—	.00

Table 8, household size = 8*		
If the amount on line 4 is:		Enter this decimal amount on line 6:
at least:	but less than:	
—	\$60,850	.40
\$60,850	63,900	.36
63,900	66,900	.32
66,900	69,950	.24
69,950	73,000	.16
73,000	76,050	.08
76,050	—	.00

* If your household size is larger than eight, please contact the department for the tables you need. See page 40 for taxpayer assistance information.

60 **Credit for income taxes paid to another state.** If you paid 2002 income tax to another state or U.S. territory on income also taxed by Oregon, you may claim a credit.

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 states: Arizona, California, Indiana, or Virginia. See our Web site for links to other states' tax Web sites.

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 40 to order the information circular.

Your credit is the **smallest** 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 modified adjusted gross income (MAGI) taxed by both states by your total MAGI. Your total MAGI 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.

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

Formula 2: Divide your MAGI 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.

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

Enter the credit amount on Form 40P, line 60; or Form 40N, line 59.

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 Form 40P, line 43; or Form 40N, line 42.

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

You may be allowed this credit even if Oregon and another state taxes the same income in different years. Call us for more information. See page 40.

61 **Other credits.** You may qualify for one or more of the credits explained below. Identify the credit(s) you are claiming in the space on line 61. Use the

title shown in bold or the abbreviation shown in brackets. If you have more than one credit, show the type and amount of each on the form, not on a separate sheet. Fill in the amount of all "other credits" on line 61.

- **Child and dependent care credit carryover from prior years [C/O-CDC].** If you have a child and dependent care carryover, see page 26 of Form 40N instructions.
- **Elderly or the disabled [OR CED].** The credit is 40 percent of the federal credit. You must prorate this 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 40P, line 40. You may claim this credit or the retirement income credit, **but not both**.
- **Political contribution [PCC].** Fill in your total political contributions, but not more than \$100 on a joint return or \$50 on all others. You must have made the contributions during 2002. Your contributions must have been a donation of money to any of the following:
 - A political party.
 - A qualified candidate (or the candidate's principal campaign committee) for federal, state, or local office to be voted for in Oregon.
 - A political action committee certified in Oregon.

Call the department to order the information circular, *Political Contributions Tax Credit*. See page 40.

Note: Oregon has some credits that apply to only a few people. These credits are listed on page 27.

Tax payments, penalties, and interest

64 **Oregon income tax withheld.** Fill in the total Oregon tax withheld from your wages and other income 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 Oregon tax withheld. Proof may include a final paycheck stub or a letter from your employer. If you file before February 1, 2003, we can accept only Form(s) W-2 or 1099 as proof of Oregon tax withheld.

If you have tax to pay this year, you may want to increase the amount your employer withholds from your 2003 wages for Oregon. Call the department to order the information circular, *Oregon Income Tax Withholding: Some Special Cases*. Or, download it from our Web site.

65 **Estimated tax payments for 2002.** Fill in the total Oregon estimated tax payments you made before filing your 2002 Oregon return. Include any payments made with your extension. Also, include any refund applied from your 2001 income tax return. If the department adjusted your 2001 refund, be sure to use the corrected amount.

69 **Penalty and interest.** See Form 40N instructions on page 27.

70 **Interest on estimated tax underpayment.** You have an underpayment if you paid less than 90 percent of the tax due on each estimated tax payment date, based on the 9 percent tax rate (purple chart, page 38). If you have an underpayment, you must file Oregon Form 10, *Underpayment of Oregon Estimated Tax*. See Form 40N instructions on page 27.

72 **Amount you owe.**

- Make your check or money order payable to “**Oregon Department of Revenue**.” Do not make your payment out to “IRS,” “Treasury,” or “Internal Revenue Service.”
- Write your Social Security number and “2002 Oregon Form 40P” on your check.
- Please use **blue or black ink**. Do not use gel pens or red ink.
- **Don't send cash or a postdated check.**
- Staple your payment and Form RPC, the payment coupon (page 7), to your return on top of the Form(s) W-2. If the amount is less than \$1, no payment is required.

We cannot accept credit cards or withdraw funds from your bank account for your payment.

Payment plan. If you can't pay in full now, we will work with you to set up a payment plan for the amount you don't pay with your return. See page 39 for more information.

Special instructions. Do you owe interest on line 70 and have an overpayment on line 67? If the interest you owe is more than your overpayment, you have an amount due. Subtract line 67 from line 71 and enter the result on line 72.

If you don't have a refund but want to contribute to a charity listed on lines 75–80, mail your donation to the charity's address shown below and on page 37. Please do not mail your donation to the Department of Revenue.

Go to the signature block section on page 37 to finish your return.

73 **Refund.** You must have a refund of \$1 or greater on line 73 to use lines 74–83.

74 **Estimated tax.** If your refund on line 73 is \$1 or more, you may apply part or all of it to your 2003 estimated tax. Fill in the amount you want to apply. Don't fill in less than \$1 or more than the amount on line 73.

75–80 **Charitable checkoff.** You may donate all or part of your refund to the charities listed below. Donations will reduce your refund. You may donate to any or all of the charities on lines 75–79. You also may donate to **one** of the charities listed under the instructions for line 80. Or, you can mail your donations to the addresses shown.

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

Oregon Department of Fish and Wildlife
PO Box 59
Portland OR 97207

76 **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
1410 SW Morrison Street, Suite 502
Portland OR 97205

77 **Alzheimer's Disease Research.** Your donation goes to the Alzheimer's Association for research on Alzheimer's and related disorders.

Alzheimer's Association
1311 NW 21st Avenue
Portland OR 97209

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

OCADSV
659 Cottage Street NE
Salem OR 97301

79 **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
1650 NW Naito Parkway, Suite 185
Portland OR 97209-8428

80 **Other charity.** You may donate all or part of your refund to one of the charities listed below. Enter the code of the charity on line 80. **Only one code may be entered.** Check the box for the amount you want to donate and write it on line 80. Or, you can mail your donations to the addresses shown.

Habitat for Humanity of Oregon (Code 1). Your donation will help Habitat for Humanity build simple, decent, and affordable housing for low-income families.

Habitat for Humanity of Oregon
PO Box 17067
Portland OR 97217-0067

Oregon Head Start Association (Code 2). Your donation will help Head Start provide services to the lowest-income, highest-need children and families.

Oregon Head Start Association
2705 E Burnside, Suite 108
Portland OR 97214

American Diabetes Association (Code 3). Your donation will help continue diabetes research and advocacy programs in Oregon.

American Diabetes Association
380 SE Spokane Street, Suite 110
Portland OR 97202

Oregon Coast Aquarium (Code 4). Your donation will help fund educational programs, conservation efforts, and animal rehabilitation.

Oregon Coast Aquarium
2820 SE Ferry Slip Road
Newport OR 97365

SMART (Code 5). Your donation will help fund the Start Making A Reader Today early literacy program for Oregon's most vulnerable children.

Oregon Children's Foundation/SMART
219 NW 12th Avenue, Suite 203
Portland OR 97209

SOLV (Code 6). Your donation helps fund thousands of projects to clean up beaches, forests, rivers, and neighborhoods across Oregon.

SOLV
PO Box 1235
Hillsboro OR 97123

St. Vincent de Paul Society of Oregon (Code 7). Your donation will help provide services leading to self-sufficiency for low-income Oregonians.

St. Vincent de Paul Society of Oregon
PO Box 24608
Eugene OR 97402

The Nature Conservancy (Code 8). Your donation will help purchase and restore critical habitats for Oregon's at-risk plants, fish, and wildlife.

The Nature Conservancy
821 SE 14th Avenue
Portland OR 97214

Doernbecher Children's Hospital Foundation (Code 9). Your donation will fund a critical expansion of the cancer treatment facilities at Doernbecher.

Doernbecher Children's Hospital Foundation
1121 SW Salmon, Suite 201
Portland OR 97205-2021

The Oregon Humane Society (Code 10). Your donation will help save pets' lives through rescue, sheltering, adoption, education, cruelty investigation, and advocacy.

The Oregon Humane Society
PO Box 11364
Portland OR 97211

The Oregon Salvation Army (Code 11). Your donation to the Salvation Army ensures help for the neediest children and their families throughout Oregon.

The Salvation Army
PO Box 8798
Portland OR 97208

The Oregon Veterans' Home (Code 12). Your donation will improve the quality of life for veterans receiving nursing care at the Oregon Veterans' Home.

Oregon Veterans' Home Donations
700 Summer Street NE
Salem OR 97301-1285

82 **Net refund.** You must **reduce your refund** by any amount applied to your 2003 estimated tax and donations on lines 74–80. 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. Do not send in Form RPC, the payment coupon, with your return if you are claiming a refund.

83 **Direct deposit.** Complete line 83 if you want us to deposit your refund directly into your bank account instead of sending you a check.

1. **Contact your bank** to make sure your deposit will be accepted and to get your correct routing and account numbers.
2. **Check the appropriate box** for account type. Check **either** checking or savings, but not both.
3. **Enter your nine-digit routing number.** The routing number must begin with 01 through 12, or 21 through 32.
4. **Enter the account number** of the account to which you want your refund deposited. The account number can be up to 17 characters (both numbers and letters). Include hyphens, but don't include spaces and special symbols. Enter the number left to right and leave any unused boxes blank.

See page 40 for assistance information.

Signature block

Authorization box. Check "Yes" if you wish to authorize the Department of Revenue to discuss information about the initial processing of your tax return with your preparer. Otherwise, check "No."

Signature(s). Be sure to sign and date your return. If you are filing a joint return, both spouses must sign.

Preparer signature. Any person who prepares, advises, or assists in the preparation of personal income tax returns for another person in exchange for payment, gifts, or other compensation must be licensed and must sign the return. Contact these agencies for more information on licensing or to check the status of your Oregon tax practitioner:

- State Board of Tax Practitioners at 503-378-4034 for licensed tax consultants and licensed tax preparers.
- State Board of Accountancy at 503-378-4181 for public accountants and certified public accountants.

License number. Licensed tax consultants, please enter your license number. Certified public accountants, please enter your certificate number. Tax-Aide volunteers, please enter your TCE site number.

2002 Tax Rate Charts (with 9% rate)

S Tax Rate Chart For persons filing **Single or Married filing separately**

<i>If your taxable income is:</i>	<i>Your tax is:</i>
Not over \$2,500	5% of taxable income
Over \$2,500 but not over \$6,250	\$125 plus 7% of the excess over \$2,500
Over \$6,250	\$388 plus 9% of the excess over \$6,250

J Tax Rate Chart For persons filing **Jointly, Head of household, or Qualifying widow(er) with dependent child**

<i>If your taxable income is:</i>	<i>Your tax is:</i>
Not over \$5,000	5% of taxable income
Over \$5,000 but not over \$12,500	\$250 plus 7% of the excess over \$5,000
Over \$12,500	\$775 plus 9% of the excess over \$12,500

Before you file

Should I put my return together in a special order?

Yes. To speed processing, put your Oregon return together as follows:

1. Start with Form 40N or Form 40P.
2. Staple Form(s) W-2 and any Form(s) 1099 showing Oregon tax withheld to the lower front of your Form 40N or Form 40P.
3. Staple your payment and your completed Form RPC, the payment coupon, on top of the Form(s) W-2 and/or 1099.
4. Place a copy of the front and back of federal Form 1040, 1040A, 1040EZ, 1040NR, or TeleFile Tax Record behind your Form 40N or Form 40P.
5. If applicable, place these items in the following order behind the federal form:
 - Oregon Form 10, *Underpayment of Oregon Estimated Tax*.
 - Proof required to claim credit for taxes paid to another state. See page 35.
 - Oregon Form 24, *Like-Kind Exchanges/Involuntary Conversions*.
 - Form FIA-40P, *Oregon Farm Income Averaging for Part-Year Residents*, or Form FIA-40N, *Oregon Farm Income Averaging for Nonresidents*.
 - *Exempt Income Schedule for Enrolled Members of a Federally Recognized American Indian Tribe*.
6. Staple all pages of your return together in the top left-hand corner.

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—2002 Form 40N” is printed at the top of the second page.

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

How long do I have to file my return and get a refund?

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.

Can I make payments?

If you can't pay in full now, we will work with you to set up a payment plan. File now and pay what you can. Write your Social Security number, tax year, and “Form 40P” or “Form 40N” on your check. Be sure you also use Form RPC, the payment coupon, on page 7. You will receive a billing notice showing tax, interest, penalty, and the balance due. When you receive the billing notice, immediately call the telephone number on the notice to set up your payment plan. If you do not call, collection activity may begin.

To avoid processing delays, remember to:

File after January 28 election results are known.

File electronically. See page 7. File only once. **Do not send a paper return if you have filed electronically.**

Type or clearly 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. Please double-check the tax you figured. Errors will slow the processing of your return.

Verify that you have used the correct tax rate chart on page 38.

If you have tax to pay, be sure to read line 72 instructions.

Verify your bank account information if you are requesting direct deposit.

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.

Attach Form RPC, the payment coupon, with your payment to the front of your 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

After you file

I'm getting an income tax refund this year. How long will it take?

- If you file your return electronically and request direct deposit of your refund:
 - After processing begins March 1, you may receive your refund in as few as 7–10 business days.
- If you file your return electronically and request a check to be mailed:
 - After processing begins March 1, you may receive your refund in as few as 10–12 business days.
- If you file your return before April 1 and request direct deposit or a check:
 - Allow 6–8 weeks.
- If you file your return on or after April 1 and request direct deposit or a check:
 - Allow 8–11 weeks.

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

Taxpayer assistance

Printed information (free)

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 return the form below.



Check individual boxes to order. Complete name and address section. Clip on the dotted line, then mail in the entire list to the address below.

Forms and instructions

- Form 10, *Underpayment of Oregon Estimated Tax* 150-101-031
- Form 24, *Like-Kind Exchanges/Involuntary Conversions* 150-800-734
- Form 40ES, *Estimated Income Tax Coupons, and instructions* 150-101-026/-2
- Forms 40S & 40, *Full-Year Residents* 150-101-043
- Forms 40P & 40N, *Part-Year & Nonresidents* 150-101-045
- Form 40X, *Oregon Amended Individual Income Tax Return* 150-101-046
- Form 40-EXT, *Oregon Automatic Extension and Extension Payment Coupon* 150-101-165
- Form 90R, *Elderly Rental Assistance* 150-545-002
- Form FIA-40, *Oregon Farm Income Averaging for Full-Year Residents* 150-101-160
- Form FIA-40N, *Oregon Farm Income Averaging for Nonresidents* 150-101-161
- Form FIA-40P, *Oregon Farm Income Averaging for Part-Year Residents* 150-101-162
- Oregon Depreciation Schedule* 150-101-025
- Schedule Z, Computation of Tax for Oregon Farm Income Averaging* 150-101-166

Information circulars and brochures

- Computing Interest on Tax You Owe* 150-800-691
- Credit for Income Taxes Paid to Another State* 150-101-646
- Divorce and Taxes* 150-101-629
- Donated Crops Tax Credit* 150-101-686
- Estimated Income Tax* 150-101-648
- Home Care of a Person Age 60 or Older Tax Credit* ... 150-101-653
- Income Tax Filing Extension* 150-101-660
- Interstate Transportation Wages (Amtrak Act)* ... 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 Electronic Filing* 150-101-630
- Record Keeping Requirements* 150-101-608
- Residential Energy Tax Credit* 150-101-641
- Retirement Income* 150-101-673
- What To Do if You Are Audited* 150-101-607
- Your Rights as an Oregon Taxpayer* 150-800-406
- List of other printed information:

Form and Publication Order 150-800-390

**Send to: Forms, Oregon Department of Revenue
PO Box 14999, Salem OR 97309-0990**

Please print

Name _____
Address _____
City _____
State _____ ZIP Code _____

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.

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.

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 W 6th Street
Newport 119 NE 4th Street, Suite 4
North Bend 3030 Broadway
Pendleton 700 SE Emigrant, 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 available from 9 a.m.–4 p.m., Monday–Friday except holidays.

