

<p style="margin: 0;">FORM</p> <h1 style="margin: 0;">FIA-40</h1> <h2 style="margin: 0;">OREGON FARM INCOME AVERAGING</h2> <h1 style="margin: 0;">2004</h1>			<p style="margin: 0;">For Office Use Only</p> <p style="margin: 0;">Date received</p>
Name(s) as shown on Oregon Form 40		Social Security No. (SSN)	
Current mailing address		Spouse's SSN, if joint return	
City	State	ZIP code	
		Telephone number ()	

- 1 Enter the taxable income from your 2004 Oregon Form 40, line 28..... 1
- 2 Enter your **elected farm income**. Do not enter more than the amount on line 1..... 2
- 3 Subtract line 2 from line 1 3
- 4 Figure the tax on the amount on line 3 using the 2004 Tax Tables or Tax Rate Charts from Form 40 instructions, whichever applies, and enter here 4

2001 Taxable Income

- 5 If you used FIA to figure your tax for 2002 or 2003, see instructions. Otherwise, enter the taxable income from your 2001 Form 40, line 28; or Form 40S, line 15. If -0- or less, see instructions 5
- 6 Divide the amount on **line 2** by 3.0 and enter here 6
- 7 Add line 5 and 6. If -0- or less, enter -0- 7
- 8 Figure the tax on the amount on line 7 using the 2001 Tax Tables or Tax Rate Charts, whichever applies (or fill in recomputed tax from Schedule Z, see instructions)..... 8

2002 Taxable Income

- 9 If you used FIA to figure your tax for 2002 or 2003, see instructions. Otherwise, enter the taxable income from your 2002 Form 40, line 28; or Form 40S, line 15. If -0- or less, see instructions 9
- 10 Enter the amount from line 6 10
- 11 Add lines 9 and 10. If -0- or less, enter -0- 11
- 12 Figure the tax on the amount on line 11 using the 2002 Tax Tables or Tax Rate Charts, whichever applies (or fill in recomputed tax from Schedule Z, see instructions)..... 12

2003 Taxable Income

- 13 If you used FIA to figure your tax for 2003, see instructions. Otherwise, enter the taxable income from your 2003 Form 40, line 28; or Form 40S, line 12. If -0- or less, see instructions 13
- 14 Enter the amount from line 6 14
- 15 Add lines 13 and 14. If -0- or less, enter -0- 15
- 16 Figure the tax on the amount on line 15 using the 2003 Tax Tables or Tax Rate Charts, whichever applies (or fill in recomputed tax from Schedule Z, see instructions)..... 16
- 17 Add lines 4, 8, 12, and 16..... 17

- 18 If you used FIA to figure your tax for 2003, enter the amount from your 2003 FIA-40, line 12; FIA-40N, line 12; or FIA-40P, line 11. If you did not use FIA in 2003 but did in 2002, enter the amount from 2002 FIA-40, line 16; FIA-40N, line 14; or FIA-40P, line 12. Otherwise, enter the tax from your 2001 Form 40, line 30; Form 40S, line 16; Form 40N, line 52 or Form 40P, line 51 18

- 19 If you used FIA to figure your tax for 2003, enter the amount from your 2003 FIA-40, line 16; FIA-40N, line 13; or FIA-40P, line 12. If you did not use FIA in 2003 but did in 2002, enter the amount from 2002 FIA-40, line 4; FIA-40N, line 10; or FIA-40P, line 8. Otherwise, enter the tax from your 2002 Form 40, line 30; Form 40S, line 16; Form 40N, line 52 or Form 40P, line 51 19

- 20 If you used FIA to figure your tax for 2003, enter the amount from your 2003 FIA-40, line 4; FIA-40N, line 9; or FIA-40P, line 8. Otherwise, enter the tax from your 2003 Form 40, line 30; Form 40S, line 13; Form 40N, line 51 or Form 40P, line 51 20
- 21 Add lines 18, 19, and 20..... 21
- 22 Line 17 minus line 21. Enter the result here and on Form 40, line 30 22

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

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INSTRUCTIONS FOR 2004 FORM FIA-40 Farm Income Averaging

You may elect to figure your 2004 tax by averaging, over the previous three years (base years), all or part of your 2004 taxable farm income.

You will need copies of your original or amended Oregon income tax returns for tax years 2001, 2002, and 2003. You can obtain copies of prior years' returns for a fee from the Oregon Department of Revenue. See Taxpayer Assistance on page 4 for numbers to call.

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

Elected farm income

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

To figure elected farm income, first figure your taxable income from farming. Taxable income from farming includes all income, gains, losses, and deductions attributable to any farming business. Gains and losses from the sale or other disposition of property (other than land) must be from property regularly used for a substantial period of time in your farming business. However, it does not include gain from the sale or other disposition of land. You do not have to include all of your taxable income from farming on Form FIA-40, line 2.

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

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

Farming business

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

- Operating a nursery or sod farm.
- Raising or harvesting of trees bearing fruits, nuts, or other crops.
- Raising ornamental trees (but not evergreen trees that are more than 6 years old when severed from the roots).

- Raising, shearing, feeding, caring for, training, and managing animals.
- Leasing land to a tenant engaged in a farming business, but **only** if the lease payments are based on a share of the tenant's production (not a fixed amount).
- Wages and other compensation you received as a shareholder in an S corporation engaged in a farming business.

A farming business does not include:

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

Line instructions

Line 5. If you used FIA-40 to figure your tax for 2003, enter on line 5 the amount from your 2003 FIA-40, line 11. If you used Schedule Z to figure your tax for 2003, enter on line 5 the amount from your 2003 Schedule Z, Computation for Tax Year 2001. If you used Computation A, use the amount on line 9. If you used Computation B, use the amount on line 6. If you used Computation C, use the amount on line 3.

If you used FIA-40 to figure your tax for 2002 but not 2003, enter on line 5 the amount from your 2002 FIA-40, line 15. If you used Schedule Z to figure your tax for 2002, enter on line 5 the amount from your 2002 Schedule Z, Computation for Tax Year 2001. If you used Computation A, use the amount on line 9. If you used Computation B, use the amount on line 6. If you used Computation C, use the amount on line 3.

If your 2001 taxable income was -0- or less, use the worksheet below to figure the amount to enter on Form FIA-40, line 5.

NOL means *net operating loss* and applies to the year of the actual loss. **NOLD** means *net operating loss deduction* and applies to the year the NOL is carried to.

2001 Taxable Income Worksheet

1. Figure the taxable income from your 2001 tax return without limiting it to -0-. Include any NOLD carryovers or carrybacks if you did not have a NOL in 2001. Do not include any NOLD carryover or carryback from other years if you had a NOL in 2001. Enter the result here \$ _____
2. If there is a loss on your 2001 federal Schedule D, line 18, add that loss (as a positive amount) and your 2001 capital loss carryover to 2002. Subtract from that sum the amount of the loss on your 2001 federal Schedule D, line 17. Enter the result here..... \$ _____

3. If you had an NOL for 2001, enter it as a positive amount here. Otherwise, enter the portion (if any) of the NOLD carryovers and carrybacks to 2001 that were not used in 2001 and were carried to tax years after 2001 as a positive amount here \$ _____
4. Add lines 2 and 3 \$ _____
5. Add line 1 and line 4. Enter the result here, and on Form FIA-40, line 5 \$ _____

Line 9. If you used FIA-40 to figure your tax for 2003, enter on line 9 the amount from your 2003 FIA-40, line 15. If you used Schedule Z to figure your tax for 2003, enter on line 9 the amount from your 2003 Schedule Z, Computation for Tax Year 2002. If you used Computation A, use the amount on line 9. If you used Computation B, use the amount on line 6. If you used Computation C, use the amount on line 3.

If you used FIA-40 to figure your tax for 2002 but not 2003, enter on line 9 the amount from your 2002 FIA-40, line 17. If you used Schedule Z to figure your tax for 2002 enter on line 9 the amount from your 2002 Schedule Z. If you used Computation A, use the amount on line 9. If you used Computation B, use the amount on line 6. If you used Computation C, use the amount on line 3.

If your 2002 taxable income was -0- or less, use the worksheet below to figure the amount to enter on Form FIA-40, line 9.

2002 Taxable Income Worksheet

6. Figure the taxable income from your 2002 tax return without limiting it to -0-. Include any NOLD carryovers or carrybacks if you did not have a NOL in 2002. Do not include any NOLD carryover or carryback from other years if you had a NOL in 2002. Enter the result here \$ _____
7. If there is a loss on your 2002 federal Schedule D, line 18, add that loss (as a positive amount) and your 2002 capital loss carryover to 2003. Subtract from that sum the amount of the loss on your 2002 federal Schedule D, line 17. Enter the result here \$ _____
8. If you had an NOL for 2002, enter it as a positive amount here. Otherwise, enter the portion (if any) of the NOLD carryovers and carrybacks to 2002 that were not used in 2002 and were carried to tax years after 2002 as a positive amount here \$ _____
9. Add lines 7 and 8 \$ _____
10. Add line 6 and line 9. Enter the result here and on Form FIA-40, line 9 \$ _____

Line 13. If you used FIA-40 to figure your tax for 2003, enter on line 13 the amount from your 2003 FIA-40, line 3. If you used FIA-40N to figure your tax for 2003, enter on line 13 the amount from the 2003 FIA-40N, line 8. If you used FIA-40P to figure your tax for 2003, enter on line 13 the amount from the 2003 FIA-40P, line 6.

If your 2003 taxable income was -0- or less, use the worksheet below to figure the amount to enter on Form FIA-40, line 13.

2003 Taxable Income Worksheet

11. Figure the taxable income from your 2003 tax return without limiting it to -0-. Include any NOLD carryovers or carrybacks if you did not have a NOL in 2003. Do not include any NOLD carryover or carryback from other years if you had a NOL in 2003. Enter the result here \$ _____
12. If there is a loss on your 2003 federal Schedule D, line 18, add that loss (as a positive amount) and your 2003 capital loss carryover to tax year 2004. Subtract from that sum the amount of the loss on your 2003 federal Schedule D, line 17. Enter the result here \$ _____
13. If you had an NOL for 2003, enter it as a positive amount here. Otherwise, enter the portion (if any) of the NOLD carryovers and carrybacks to 2003 that were not used in 2003 and were carried to tax years after 2003 as a positive amount here \$ _____
14. Add lines 12 and 13 \$ _____
15. Add line 11 and line 14. Enter the result here and on Form FIA-40, line 13 \$ _____

Example 1. Kevin Crooper did not income average for tax year 2002 but he did income average for tax year 2003 and he wants to income average for tax year 2004. For tax years 2001, 2002, and 2003 Kevin filed joint returns. His filing status for tax year 2004 is also married filing jointly. For tax year 2001, Kevin's taxable income from Form 40, line 28 is \$1,112. For tax year 2002, Kevin's taxable income from Form 40, line 28 is \$14,250. For tax year 2003, Kevin's taxable income from Form 40, line 28 is \$12,777. For tax year 2004, Kevin's taxable income from Form 40, line 28 is \$27,900 and his elected farm income is \$24,000. For the tax years above, he has no net operating losses, no net operating carryforwards or carrybacks and no capital losses.

Kevin income averaged for tax year 2003. Kevin has \$12,777 of taxable income and elected to farm income average \$9,000, leaving Oregon taxable income of \$3,777. For 2001, Kevin's recomputed tax after adding one-third of elected farm income from his 2003 Form FIA-40, line 11 is \$4,112.

For 2002, Kevin's recomputed tax after adding one-third of his elected farm income from his 2003 Form FIA-40, line 15 is \$17,250. For 2003, Kevin's recomputed tax after removing his elected farm income is \$188 from 2003 Form FIA-40, line 4.

For tax year 2004, Kevin's Oregon taxable income is \$27,900. On line 2 Kevin enters his elected farm income of \$24,000. He subtracts line 2 from line 1 and enters \$3,900 on line 3. This is his remaining Oregon taxable income. He calculates his 2004 Oregon tax using the tax tables under married filing joint status and enters \$198 on line 4.

For 2001, Kevin enters \$4,112 from line 11, 2003 Form FIA-40 on line 5 of the 2004 Form FIA-40. He divides his elected farm income of \$24,000 by 3 and enters \$8,000 on line 6 of the 2004 Form FIA-40. He adds lines 5 and 6 and enters \$12,112 on line 7. This is his recomputed 2001 Oregon taxable income. He calculates his 2001 Oregon tax using the tax table under married filing joint status and enters \$751 on line 8.

For 2002, Kevin enters \$17,250 from line 15, 2003 Form FIA-40 on line 9 of the 2004 Form FIA-40. He enters \$8,000 from line 6 (2004 Form FIA-40) on line 10 of the 2004 Form FIA-40. He adds lines 9 and 10 and enters \$25,250 on line 11. This is his recomputed 2002 Oregon taxable income. He calculates his 2002 Oregon tax using the tax tables under married filing joint status and enters \$1,985 on line 12.

For 2003, Kevin enters \$3,777 from line 3, 2003 Form FIA-40 on line 13 of the 2004 Form FIA-40. He enters \$8,000 from line 6 (2004 Form FIA-40) on line 14 of the 2004 Form FIA-40. He adds lines 13 and 14 and enters \$11,777 on line 15. This is his recomputed 2003 Oregon taxable income. He calculates his 2003 Oregon tax using the tax tables under married filing joint status and enters \$721 on line 16.

On his 2004 Form FIA-40, he adds lines 4, 8, 12, and 16 and enters \$3,655 on line 17. He enters his recomputed 2001 tax of \$208 from 2003 Form FIA-40, line 12 on line 18 of the 2004 Form FIA-40. He enters his recomputed 2002 tax of \$1,225 from 2003 Form FIA-40, line 16 on line 19 of the 2004 Form FIA-40. He enters his recomputed 2003 tax of \$188 from 2003 Form FIA-40, line 4 on line 20 of the 2004 Form FIA-40. He adds lines 18, 19, and 20 and enters \$1,621 on line 21. This is the recomputed tax he paid for the 2001, 2002, and 2003 tax years.

He subtracts the recomputed tax of \$1,621 on line 21 from the recomputed tax of \$3,655 on line 17 and enters the result of \$2,034 on line 22. This is Kevin's 2004 tax liability from farm income averaging. He enters this figure on Form 40, line 30.

Example 2. John Farmington did not use farm income averaging for 2001, 2002, or 2003. For tax year 2004, John has elected farm income on Form FIA-40, line 2 of \$18,000. His Oregon taxable income shown on his 2001 Form 40, line 28, is \$6,150.

John had a net operating loss (NOL) for tax year 2002 of \$22,950, which he elected to carryback five years. Of the

\$22,950 loss, \$9,000 was carried back to tax year 2001. To complete line 1 of the 2001 worksheet, John combines the \$9,000 net operating loss deduction (NOLD) with his 2001 Oregon taxable income of \$6,150 from Form 40, line 28. The result, a negative \$2,850, is entered on line 1 of the 2001 worksheet.

When John filed his 2001 tax return, he had a \$3,000 net capital loss deduction on federal Schedule D, line 18, a \$7,000 loss on federal Schedule D, line 17, and a \$4,000 capital loss carryover to 2002. However, when John carried back the 2002 NOL to 2001, he refigured his 2001 capital loss carryover to tax year 2002 as \$7,000. To calculate line 2 of the 2001 worksheet, John adds the \$3,000 from federal Schedule D, line 18, and the \$7,000 carryover. He subtracts from the result the \$7,000 loss on his federal Schedule D, line 17, and enters \$3,000 on line 2 of the 2001 worksheet.

John had \$6,150 of Oregon taxable income in 2001 that reduced the 2002 NOL carryback. The \$3,000 net capital loss deduction also reduced the amount of the 2002 NOL carryback. Since these two figures together total \$9,150, there is no NOLD left to carry over to tax year 2003. Therefore, John enters -0- on line 3. He adds line 2 and line 3 and enters the result, \$3,000, on line 4 of the worksheet. John adds line 1, a negative \$2,850, plus line 4, a positive \$3,000, and enters the result, a positive \$150, on 2004 Form FIA-40, line 5. This figure represents John's recomputed Oregon taxable income for tax year 2001.

For tax year 2002, John's taxable income from Form 40, line 28 is negative \$30,250, which he enters on line 6 of the 2002 worksheet.

John had a \$3,000 net capital loss deduction on Schedule D, line 18 and a \$7,000 loss on Schedule D, line 17, the carryover from 2001 to 2002. John adds the \$3,000 from Schedule D, line 18, and the \$7,000 carryover. He subtracts from the result the \$7,000 loss on Schedule D, line 17, and enters \$3,000 on line 7 of the worksheet. John enters \$22,950 on line 8 of the worksheet, his 2002 NOL.

John enters \$25,950 (\$22,950 and \$3,000) on line 9 of the worksheet. He adds line 6 and line 9 and enters the result, a negative \$4,300, on line 10 of the worksheet and on 2004 Form FIA-40, line 9. This figure represents John's recomputed Oregon taxable income for tax year 2002.

For tax year 2003, John's taxable income from Form 40, line 28 is negative \$1,750. This amount includes an NOLD of \$2,300 which was the portion of the 2002 NOL that was remaining to be carried forward from tax year 2001. John does not have an NOL for tax year 2003. John enters a negative \$1,750 on line 11 of the 2003 worksheet.

John had a \$3,000 net capital loss deduction on Schedule D, line 18, a \$7,000 loss on Schedule D, line 17, and a \$5,000 capital loss carryover to 2003 (his 2002 capital loss carryover to 2003 was \$5,000, not \$4,000, because his federal taxable income before exemptions was a negative \$1,000). John adds the \$3,000 from Schedule D, line 18, and the \$5,000 carryover. He reduces the result by the \$7,000 loss on his

Schedule D, line 17, and enters \$1,000 on line 12 of the 2003 worksheet.

John enters -0- on line 13 of the worksheet because he does not have an NOL for 2003 and did not have any remaining NOLD to carryforward. John's \$2,300 NOLD for 2003 was reduced to -0- because it did not exceed his federal AGI as modified for the capital loss deduction,

the net operating loss, and the standard or recomputed itemized deductions. John adds lines 12 and 13 and enters \$1,000 on line 14 of the worksheet. John adds lines 11 and 14 and enters the result, a negative \$750, on line 15 of the worksheet and on 2004 Form FIA-40, line 13. This figure represents John's recomputed Oregon taxable income for tax year 2003.

Taxpayer assistance

Internet

www.oregon.gov/DOR



The Department of Revenue Web site is a quick and easy way to download forms and publications, 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 day-time telephone number for faster service.

Field offices

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

Bend 951 SW Simpson Avenue, Suite 100

Eugene 1600 Valley River Drive, Suite 310

Gresham 1550 NW Eastman Parkway, Suite 220

Medford 24 West 6th Street

Newport 119 NE 4th Street, Suite 4

North Bend 3030 Broadway

Pendleton 700 SE Emigrant Ave, Suite 310

Portland* Federal Building Lobby, 1220 SW Third Avenue

Portland 800 NE Oregon Street, Suite 505

Salem Revenue Building, 955 Center Street NE, Room 135

Salem 4275 Commercial Street SE, Suite 180

Tualatin 6405 SW Rosewood Street, Suite A

*February 1–April 1: Monday, Wednesday, and Friday, 10 a.m.–3 p.m.
April 4–April 15: Monday–Friday, 9 a.m.–4 p.m.

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 2004 personal income tax refund (beginning February 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.–9:00 p.m.
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 o llame gratis al 1-800-356-4222 en Oregon.

To get forms

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