



2007 OREGON INCOME TAX

Full-Year Residents

Forms 40, 40S, Schedule WFC, and instructions



**File your taxes
wherever you are**

Join nearly 1 million other Oregonians and file your taxes electronically. It's fast, secure, and easy. See page 2.



Free File Alliance

See if you qualify for free electronic filing at www.oregon.gov/DOR/1000.

Where's My Refund?

Check the status of your Oregon income tax refund at www.oregonrefund.com.

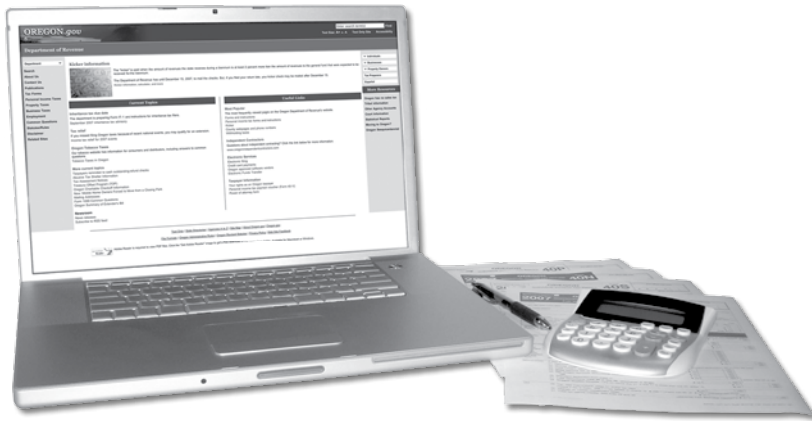
Get Forms Online

Download additional forms and publications at www.oregon.gov/DOR/PERTAX.



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Salem OR 97301-2555

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E-services

Electronic filing—fast, secure, and accurate

E-file is the fastest way to file your return and receive your refund. The speed and accuracy of computers allow electronic returns to be processed faster than paper returns, greatly reducing errors and delays. E-file uses secure technology to ensure the safety of your personal information once it is transmitted to the IRS and the Department of Revenue.

Oregon participates in the IRS Federal/State E-file program. This program allows you to electronically file **both** your federal and Oregon returns at the same time. If you have already filed your federal return, you may still electronically file your Oregon return.

If you haven't tried e-file yet, give it a try. Join more than 950,000 other Oregon taxpayers who electronically file their Oregon returns.

You may be eligible for free e-file

Several tax preparation software providers offer free online electronic tax filing. For free online tax preparation programs, go to our website at www.oregon.gov/DOR/1000.

Direct deposit = faster refunds

If you have a refund, the department can deposit it directly into your bank account. This option is quick and secure. See the instructions on page 37 to direct deposit your refund.

Electronic payments from your checking or savings account

You will be able to pay your current year income taxes or 2008 estimated income taxes directly from your checking or savings account. Go to our website for more information.

Credit card payments

You can also pay your current year income taxes or 2008 estimated income taxes with your Discover, MasterCard, or Visa credit card. See page 13 for more information.

More information about e-filing

Go to our website at www.oregon.gov/DOR/PERTAX. Click on "Publications" and download *Electronic Filing For Oregon*.

Getting started

You can take advantage of e-file in one of three ways:

1. Ask your tax preparer.

If your tax preparer is an authorized IRS e-file provider, your preparer can electronically file your federal and Oregon returns. Many Volunteer Income Tax Assistance (VITA) or Tax Counseling for the Elderly (TCE) sites set up by the IRS are authorized IRS e-file providers.

2. Off-the-shelf software.

With a computer, internet access, and the right software, you can file your federal and Oregon returns yourself. Ask your local software retailer about software programs offering the IRS's Federal/State E-file program. Make sure the program supports Oregon tax forms. For a list of approved tax software products and vendors, go to our website at www.oregon.gov/DOR/ESERV and click on "Approved software vendors."

3. Internet online service.

Go to the internet and check out the online filing services that offer the IRS's Federal/State E-file program. For links to online tax preparation programs, go to our website at www.oregon.gov/DOR/1001.



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Your return and tax owed are due April 15, 2008.

**If paying with a check or money order, see page 13 or 36
and use the payment voucher, Form 40-V, below.**

See page 13 for other payment options.

Form 40V

For Oregon forms, please visit our website at

www.oregon.gov/DOR

and click on “Tax Forms”

These instructions are not a complete statement of laws and Oregon Department of Revenue rules. You may need more information. See page 44.

Do I need to file?

You need to file if your gross income is more than the amount shown below for your filing status and age.

Amounts apply to full-year residents only.

Filing status	Age	If gross income is more than:
Can be claimed on another's return	Any	\$850 *
Single	Under 65	\$4,990
	65 or over	\$6,190
Married, joint return	Both under 65	\$9,995
	One 65 or over	\$10,995
Married, separate return	Both 65 or over	\$11,995
	Under 65	\$4,990
Head of household	65 or over	\$5,990
	Under 65	\$6,240
Qualifying widow(er)	65 or over	\$7,440
	Under 65	\$6,950
	65 or over	\$7,950

In addition, file a return if:

- You are required to file a federal return.
- You had \$1 or more of Oregon income tax withheld from your wages.

* The larger of \$850, or your earned income plus \$300, up to the standard deduction amount for your filing status.

How long will it take to get my refund?

Once the department begins processing returns, your return will be processed in the time frames listed. If you claim the Working Family Credit (WFC) or your return needs additional review for another reason, your return will take longer to process. Return processing time frames:

If you e-file your return	7–12 business days
If you mail your return before April 1	
• With 2-D barcode	2–4 weeks
• Without 2-D barcode	6–8 weeks
If you mail your return on or after April 1	
• With 2-D barcode	4–7 weeks
• Without 2-D barcode	8–11 weeks

To check if your refund has been issued, go to www.oregonrefund.com.

You will need to enter your Social Security number, filing status, and the refund you requested on your return (Form 40S, line 41; or Form 40, line 71).

The system will tell you if we are still processing your return or if we have recently finished processing it and are issuing your refund. Please wait at least the time indicated above before contacting us.

New information

Federal tax liability subtraction. The federal tax subtraction limit has increased to \$5,500 (\$2,750 if married filing separately). See page 11 or 27.

Standard deduction amounts. The standard deduction amounts have changed. See page 30 or the back of Form 40S.

Charitable checkoffs. You can now donate all or part of your refund to the Oregon Historical Society. You may also donate all or part of your refund to 12 charities on your return and two additional charities from our list. See page 13 for more information.

Electronic payments from your checking or savings account. You will be able to pay your 2007 income taxes or 2008 estimated income taxes directly from your checking or savings account. There is no fee for this payment option. Go to our website for more information.

Military active duty pay. The subtraction for military active duty pay earned in Oregon increased to \$6,000

beginning with tax year 2007. There has also been a change to the subtraction for Oregon National Guard and reserve members for tax years 2001 and forward. Oregon National Guard and reserve members seeking a refund have a limited time to amend for prior years. For more information, download the publication *Military Personnel Filing Information* from our website or contact us to order it.

Exemption credit. Your exemption credit is reduced if your federal adjusted gross income is over the threshold for your filing status. Form 40 filers, see page 32 to see if this affects you.

Mobile home owners. Were you required to move out of a mobile home park because the park closed? If so, you may qualify for a credit. This is different from the credit that was available for 2006 and does not require you to move your mobile home. Go to our website to download our publication *Mobile Home Park Closure* and Schedule MPC or contact us to order them.

New biofuel credit. A credit is available for consumers of qualifying biofuels. If you purchase and use B99, E85, solid biofuel (pellets), or heat your home with B20+, you may qualify for a credit. See page 34. For more information, go to our website or contact us.

Did you participate in a REIT or RIC or have to file federal Form 8886? If so, Oregon now has a mandatory reporting requirement for participation in listed or reportable

transactions. If you are required to report listed or reportable transactions to the IRS on Form 8886, you must check the box "You have Form 8886, REIT, or RIC." Retain Form 8886 with your Oregon tax records. Do **not** attach a copy to your Oregon return. You must also check the box if you participated in a real estate investment trust (REIT) or regulated investment company (RIC) as defined in Senate Bill 39 of the 2007 Oregon Legislature.

Important reminders

Payment options. You can pay your 2007 income taxes, 2008 estimated income taxes, and any prior year income tax balances due with your credit card. See page 13.

Filing extension. Use Form 40-EXT to get an automatic six-month extension to file your 2007 Oregon return. See page 7.

Direct deposit. The Department of Revenue can deposit your refund directly into your account at most banks or other financial institutions. For direct deposit, contact your bank to make sure your deposit will be accepted and to get your correct routing and account numbers. The Department of Revenue is not respon-

sible if your bank rejects your deposit. If it does, we will issue a paper check. See page 37.

Federal law. Oregon is tied to the federal definition of taxable income.* Oregon will automatically adopt any future federal law changes to the definition of taxable income.

* *Exception: The domestic production activities deduction from the federal return is not allowed on the Oregon return. If you claimed this deduction on your federal return, you will have an addition on your Oregon tax return. See page 26.*

Use blue or black ink only. Please use blue or black ballpoint ink for easier reading and faster processing. Equipment used to scan documents and checks cannot read gel ink or certain colors, especially red or purple, and using them will delay the processing of your return.

General information

What income does Oregon tax?

An Oregon resident is taxed on all income, including income from outside the state. A nonresident of Oregon is taxed only on income from Oregon sources.

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 return 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 spent more than 200 days in Oregon during 2007 or you are a nonresident alien, as defined by federal law.

- **You are a nonresident** if your permanent home was outside Oregon all year.
- **You are a part-year resident** if you moved into or out of Oregon during 2007. 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. If you are an Oregon resident and you meet all of the following conditions, you are considered a nonresident for tax purposes.

- You are an Oregon resident who maintained a permanent home outside Oregon the entire year, and
- You did not keep a home in Oregon during any part of 2007, and
- You spent less than 31 days in Oregon during 2007.

Note: A recreational vehicle (RV) is not considered a permanent home outside of Oregon.

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

Filing status

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

Exceptions for married persons when each spouse has a different residency status:

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

Need more information? Download the publication *Married Persons Filing Separate Returns* from our website, or contact us to order it.

What form do I use?

Use Form 40S if ALL of the following are true:

- You are a full-year Oregon resident, and
- Your income is **only** from wages, unemployment, taxable interest, ordinary dividends, fellowship grants, and taxable scholarships not used to pay for housing, and
- You claim the standard deduction on your return, and
- Your Oregon taxable income is less than \$100,000, and
- You do **not** have pension or annuity income or IRA distributions, and
- You are **not** claiming more than two “Other credits”, and
- You do **not** owe penalty or interest, and
- You did **not** pay estimated tax during the year.

Use Form 40 if BOTH of the following are true:

- You are a full-year Oregon resident, and
- You cannot use Form 40S.

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

- You received Social Security, pension, or annuity income, or

- You used taxable scholarship income for housing expenses and you qualify for the Oregon subtraction, or
- You paid or should have paid estimated tax during the year, or
- You have adjustments to income on your federal tax return, such as alimony or IRA deductions, or
- You have Oregon additions or subtractions other than the federal tax subtraction (the most common ones are listed on the return), or
- You are an Oregon resident in the military, living in Oregon, claiming the subtraction for military active duty pay, or
- You itemize deductions on your Oregon return, or
- You are married filing separately and your spouse is itemizing deductions, or
- You are a nonresident alien, as defined by federal law, who lived in Oregon the entire year, or
- You are claiming more than two “Other credits”, or
- You owe penalty or interest, or
- You want to apply all or part of your refund to your 2008 estimated tax.

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

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

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

- You are a nonresident, or
- You are a special-case Oregon resident (see above), or
- You are filing jointly and one (or both) of you is a nonresident, or
- You meet the military personnel nonresident requirements explained below, or
- You qualified as an Oregon resident living abroad for the entire year.

Forms 40P and 40N are included in the *Part-Year Resident and Nonresident* booklet. Download the booklet from our website, or contact us to order it.

Military personnel

Residents stationed in Oregon. If you are an Oregon resident stationed in Oregon, file Form 40. See “Need more information?” on page 7 for information about the military active duty pay subtraction.

Residents stationed outside Oregon. If you meet the requirements for special-case Oregon residents or Oregon residents living abroad on page 5, file Form 40N from the *Part-Year Resident and Nonresident* booklet. File Form 40 if you don’t meet the listed requirements.

Nonresidents stationed in Oregon. Oregon does not 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.

Need more information? Download the publication *Military Personnel Filing Information* from our website, or contact us to order it.

Filing for a deceased person

You must file a final personal income tax return for a person who died during the calendar year if a return would normally be required. See “Do I need to file?” on page 4. If a return is filed, please check the “deceased” box on the return. If you’re responsible for the decedent’s finances, sign the return “as personal representative” and have the spouse sign if a joint return. If there is no personal representative for a joint return, only the surviving spouse needs to sign. For more information, download *Survivor’s Information* from our website or contact us to order it.

Are you filing a return and claiming a refund for someone who is now deceased and there is no court-appointed or certified personal representative? If so, file Form 243, *Claim to Refund Due a Deceased Person*, with the return. This allows us to issue the refund check in your name. Download the form from our website, or contact us to order it.

When should I file my return?

The filing deadline for calendar year 2007 is April 15, 2008. If you cannot pay all or any of your tax by the due date, file your return anyway to avoid a late-filing penalty.

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?

If you need more time to file, request an automatic six-month extension. Complete an Oregon extension form, Form 40-EXT, if:

- You’re making a tax payment to Oregon and you can’t file your Oregon return by April 15, 2008, or
- You are filing an extension for Oregon only.

Extensions must be filed by the due date of the return, April 15, 2008.

If you received a federal six-month extension and are expecting an Oregon refund, do not use Form 40-EXT. Oregon will allow the same extension. Be sure to check box 7b on your Oregon return. Don’t attach a copy of your federal extension to your Oregon return. Keep a copy of your federal extension with your records.

If you need to complete Form 40-EXT, download it from our website, or contact us to order it.

An extension does not mean more time to pay!

You must pay all tax you expect to owe when you file your extension. If you do not pay all the tax due with your extension, you will owe interest on the unpaid balance after April 15, 2008, until the date of your payment. The 2008 interest rate is 9 percent per year. If the tax is not paid within 60 days of the date of our billing notice, the interest rate increases to 13 percent per year. You may also owe a late-payment penalty. If you cannot pay all of the tax you expect to owe, pay what you can. Call us as soon as possible to set up a payment plan to reduce penalties and interest.

Were you stationed in a designated combat zone?

If you were stationed in a designated combat zone and received additional time to file your 2007 federal return and pay your 2007 tax, Oregon allows the same additional time to file and pay. **Write “Combat zone” in blue or black ink at the top left corner of your return.**

Penalties

You will owe a 5 percent late-payment penalty on any 2007 tax not paid by April 15, 2008. See page 36.

If you file more than three months after the due date or extension due date, a 20 percent late-filing penalty will be added; so, you will owe a total penalty of 25 percent of any tax not paid.

Exception: For more information about penalty exceptions, go to our website and view *Computing Interest and Penalties on Tax You Owe*.

A 100 percent penalty is charged if you do not 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 for underpaying your estimated tax if:

- You owe \$1,000 or more on your return after credits and withholding, or
- You paid less than 90 percent of the tax due on each estimated tax payment due date.

See the instructions for Form 40, line 51, on page 36.

2008 estimated tax

Estimated tax is the amount of tax you expect to owe after credits and Oregon tax withheld when you file your 2008 Oregon individual income tax return.

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 2008.

Do I need to make estimated payments?

In most cases, people who **expect to owe \$1,000 or more** on their 2008 Oregon income tax return after credits and withholding must make estimated payments. You may need to make estimated payments if:

- You are self-employed and do not have Oregon tax withheld from your income.
- You receive Oregon Lottery single ticket winnings of less than \$5,000. (Note: Single ticket winnings of \$5,000 or more are subject to Oregon withholding.)
- You receive income such as pensions, interest, or dividends, and Oregon tax is not withheld.
- You're a wage earner and expect to owe tax of \$1,000 or more on your 2008 return. You may want to increase the amount your employer withholds from your Oregon wages. Download the publication *Oregon Income Tax Withholding* from our website, or contact us to order it.

When do I pay?

Estimated tax due dates for 2008 taxes are April 15, 2008;* June 16, 2008; September 15, 2008; and January 15, 2009.

If paying with a check or money order, send your payment with Form 40-ESV, *Oregon Estimated Income Tax Payment Voucher*. Download the publication *Estimated Income Tax* from our website, or contact us to order it. If you are paying by credit card or electronic payment from your checking or savings account, see page 13.

* Please send your 2008 estimated tax payment and Oregon Form 40-ESV in a separate envelope from your 2007 Oregon income tax return. This will help us credit your payment more efficiently.

What if I'm self-employed?

If you're self-employed and do business in **Multnomah, Clackamas, or Washington counties**, you may need to file Form TM, *TriMet Self-Employment Tax Return*. If you're self-employed and do business in **Lane County**, you may need to file Form LTD, *Lane Transit District Self-Employment Tax Return*. Go to our website to download the forms, or contact us to order either form.

Frequently asked questions

Is my tax return private information?

Yes. All information provided on the return is confidential. Any Oregon Department of Revenue employee who gives out confidential information without your permission may be convicted of a Class C felony.

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

Yes. If you move after you file your return, give us your new address. Download a Change of Address form from our website or contact us. Remember to file a change of address form with your local post office.

What tax records do I need to keep?

You need to keep:

- A complete copy of your federal and state returns, even if you use a tax practitioner or file electronically.
- All original receipts, cancelled 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. If your return is **reviewed during processing or audited**, the law says you must show **proof** of your income and expenses.
- All records from the sale, purchase, or exchange of property and investments. Keep these records for at least three years after you report the gain or loss on the property or investment.

For more information, download the publication *Record-Keeping Requirements* from our website, or contact us to order it.

What if I need to change my Oregon return after filing?

File an amended return. Use Form 40 or Form 40S to change (amend) your full-year resident return. Check the amended return box in the upper left corner of the form. You must also complete and attach the *Oregon Amended Schedule* to your amended return. Download the schedule and instructions from our website or contact us to order it.

Generally, you're allowed three years from the due date of the return to file an amended return to claim a refund. To amend a prior year return, use Form 40 or Form 40S for that year and the *Oregon Amended Schedule*. To order prior year tax booklets or for assistance, please contact us.

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

If the IRS or another state makes changes that increase your Oregon taxable income, file an amended return to report and pay additional tax. If the changes reduce Oregon taxable income, you have two years from the date of the audit report to file an amended return to claim a refund. Include a copy of the audit report with your amended return.

General Instructions for Forms 40S & 40

Step 1: Fill out your federal form.

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

Step 2: Select the appropriate form.

To decide which form to use, see page 6. Not everyone qualifies to file Form 40S (short form).

Form 40 filers. You must attach a copy (front and back) of your federal Form 1040, 1040A, 1040EZ, 1040NR, or 1040NR-EZ to your Oregon Form 40. **Do not** attach any federal schedules. We may ask you for copies of schedules or additional information later.

See “What tax records do I need to keep?” on page 8.

Step 3: Fill out the Oregon form.

Fiscal year filers only

Fiscal year filers must use Form 40. Write the ending date of your fiscal year in the space provided. **Write “Fiscal year” in blue or black ink at the top left corner of your return.**

Name and address

Type or clearly print your name, Social Security number, date of birth, complete mailing address, and daytime telephone number on your return. If you are married filing separately, do not fill in your spouse’s name and SSN here, enter it on line 3 instead. If the taxpayer died in 2007 or 2008, please check the “deceased” box next to their name.

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

Individual Taxpayer Identification Number (ITIN). If the IRS issued you an ITIN because you don’t have a Social Security number, enter your ITIN wherever your SSN is requested.

If you don’t have an ITIN, you need to request one from the IRS. In this case, **write “Applied for” wherever your SSN is requested, or leave blank**, and file your return by April 15, 2008. **Do not** attach your ITIN application (federal Form W-7) to your Oregon tax return. For a copy of Form W-7, go to the IRS website at www.irs.gov, or call the IRS toll-free at 1-800-829-1040. When the IRS issues you an ITIN, send a copy of your ITIN letter to the Oregon Department of Revenue.

Date of birth. Enter the month, day, and year you were born. For example, “09/22/1976.”

Check the boxes

Filing status

1 – **5** Check the box next to your filing status. Use the same filing status you used on your federal return. **Exception:** If you and your spouse don’t have the same residency status, you may file separate returns for Oregon as married filing separately even if you filed your federal return as married filing jointly. For more information, see page 6.

If you are **married filing separately**, fill in your spouse’s first name, last name (first four letters only), and Social Security number next to box 3. **Do not** fill in your spouse’s name or Social Security number in the heading of the return.

If you are filing as **head of household**, fill in the name of a person who qualifies you for head of household filing status next to box 4. Please enter only one name.

Exemptions

6a & **6b** **Yourself and spouse.** Check “Yourself” and other boxes that apply. **If someone else can claim you as a dependent (even if they did not), do not check “Yourself;”** instead enter -0- in the total box on 6a unless you have a severe disability.

Severely disabled. Did you have a severe disability at the end of 2007? If so, you may claim an additional exemption credit. This credit is different from the disabled child credit. You may qualify for and claim 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’re permanently blind, or
- You have a permanent condition that, without special equipment or outside help, limits your ability to:
 - Earn a living, or
 - Maintain a household, or
 - Transport yourself.

Special equipment doesn’t include items such as eye-glasses, contact lenses, ordinary crutches, or hearing aids. Deafness alone does not qualify.

You don’t qualify for this exemption if:

- You have a temporary disability from an injury or illness and are expected to recover, or

- Your condition keeps you from doing your former work but does not prevent you from doing other kinds of work without special equipment.

If you have a permanent severe disability, your physician must write a letter describing it. Keep the letter with your permanent records in case we request a copy.

If you qualify, check the “severely disabled” exemption box on line 6a. If your spouse qualifies, check the “severely disabled” exemption box on line 6b. You and your spouse may also qualify for the loss of use of limbs credit. See instructions on page 12 or 34.

6c All dependents. Enter the number of your dependents in box 6c. Write their first names on the line. In most cases, you must claim the same dependents claimed on your federal return. If the first names of your dependents do not fit on the line, write the names on a statement instead. Number the statement and attach it to your return. Write “STM” and the statement number on line 6c.

6d Children 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 2007, and
- Your child was eligible for “early intervention services” or received special education as defined by the State Board of Education of the state where the child attends school (learning disabilities or communication disorders alone do not qualify), and
- Your child was considered to have a disability as of December 31, 2007, under the federal Individuals with Disabilities Education Act. 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.

You must get a statement of eligibility that confirms one of the disabilities listed above and a cover sheet from one of the following:

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

Keep the statement and cover sheet with your permanent records. Write your disabled child’s name on line 6d, “Disabled children only.” If the first names of your disabled children do not fit on the line, write the names on a statement instead. Number the statement and attach it to your return. Write “STM” and the statement number on line 6d. Also be sure to include the same 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, 2007. You are entitled to a larger standard deduction on Form 40S, line 10; or Form 40, line 26. If you or your spouse are permanently blind, you may also qualify for the severely disabled exemption credit. For box 6a and 6b instructions, see page 9.

7b Extension. If you filed for an extension, check box 7b. For more information, see page 7.

7c Federal Form 8886, REIT, or RIC. Check box 7c if you filed federal Form 8886, *Reportable Transaction Disclosure Statement* or participated in a real estate investment trust (REIT) or regulated investment company (RIC).

Form 40S 7d Dependent. If someone else, such as your parents, can claim you as a dependent (even if they did not), you can’t claim an exemption for yourself. Check box 7d on Form 40S. Also, **enter -0- in the total box on line 6a** unless you are severely disabled.

Form 40 7d Oregon Form 24. Did you file federal Form 8824 because you are deferring gain on exchanged property? If so, check box 7d on Form 40. Also, complete and attach Form 24, *Oregon Like-Kind Exchanges/Involuntary Conversions*. Download the form from our website, or contact us to order it.

For Form 40S line instructions, go to page 11.

For Form 40 line instructions, go to page 26.

Form 40S line instructions

The following instructions are for lines not fully explained on the form. For general Form 40S instructions, see page 9.

Amended return. If you are amending your 2007 return, check the box in the upper left corner of Form 40S and attach the *Oregon Amended Schedule*.

Do not fill in cents. You must round off cents to the nearest dollar. For example, \$99.49 becomes \$99.00 and \$99.50 becomes \$100.00.

8 **Income.** Fill in your income amounts in the appropriate boxes (8a, 8b, and 8c) and enter the total on line 8.

8a. Wages. Fill in all pay for work. This amount is usually shown on Form W-2. Pay for work includes wages, salaries, tips, and commissions, plus your taxable scholarships and fellowship grants. If you paid for housing with scholarship funds, you must file Form 40 to claim the subtraction.

8b. Unemployment. Fill in all unemployment compensation. This is the amount on federal Form 1040, line 19; Form 1040A, line 13; Form 1040EZ, line 3; or Form 1040NR, line 20. This is also shown on Form 1099-G.

8c. Interest and dividends. Add your total interest and dividends and enter the result on line 8c. Your total interest includes:

- Any interest received or credited to your account that you can withdraw.
- Any interest received on tax refunds.

You can't use Form 40S if:

- You have interest from the U.S. government, such as savings bond interest, or
- You received nontaxable distributions or capital gain distributions.

Use Form 40 instead.

8. Total income. Add the amounts shown in boxes 8a, 8b, and 8c.

9 **2007 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 are not the same.

You may deduct your total federal income tax liability after credits, up to \$5,500. Don't fill in less than -0- or more than \$5,500 (\$2,750 if married filing separately).

1. Enter your federal tax liability from Form 1040, line 57; Form 1040A, line 35; Form 1040EZ, line 10; Form 1040NR, line 52; or Form 1040NR-EZ, line 15. 1. _____

2. Enter your tax on qualified retirement plans from Form 1040, line 60; or Form 1040NR, line 55; any recapture taxes you included on the dotted line of Form 1040, line 63; or Form 1040NR, line 58; and the amount on Form 1040NR, line 53. 2. _____
3. Add lines 1 and 2. 3. _____
4. Enter \$5,500 (\$2,750 if married filing separately). 4. _____
5. Enter the smaller of line 3 or line 4 here and on Form 40S, line 9. 5. _____

Is the IRS figuring your federal tax for you? Do not write an amount on line 9. You will not be able to finish your Oregon return without your federal tax liability. Complete lines 14 through 17 and lines 19 through 23. Attach a copy of your federal Form 1040, 1040A, 1040EZ, 1040NR, or 1040NR-EZ to your Oregon return. Write "Calculate federal tax" in blue or black ink at the top left corner of your return. We will use the information on your federal return to determine your federal tax liability, and finish your Oregon return for you. Be sure to attach Form(s) W-2 and any Form(s) 1099 showing Oregon tax withheld to the lower front of your return. Go to the signature block section on page 37.

Are you amending your 2007 return? See the *Oregon Amended Schedule* instructions to figure your subtraction for federal tax liability.

10 **Standard deduction.** See the back of Form 40S for instructions unless you can be claimed as a dependent on another person's return. If you are a dependent, use the following worksheet to figure your standard deduction unless you are married. If you are a dependent and married, please contact us.

Standard deduction worksheet for single dependents

1. Enter your earned income. (See definition below.) 1. _____
2. Additional \$300. 2. 300
3. Add lines 1 and 2. 3. _____
4. Minimum standard deduction. 4. 850
5. Enter the larger of line 3 or line 4. 5. _____
6. Basic standard deduction for single. 6. 1,825
7. Enter the smaller of line 5 or line 6. 7. _____
8. If you're under age 65, enter -0-. If you're age 65 or older, enter \$1,200. 8. _____
9. If you're not blind, enter -0-. If you are blind, enter \$1,200. 9. _____

10. Add lines 7, 8, and 9. Enter the total here and on Form 40S, line 10; or Form 40, line 26. This is your standard deduction. 10. _____

Earned income is salaries, wages, tips, professional fees, or other amounts received as pay for work you actually performed, and any part of a scholarship or fellowship grant that you must include in your gross income.

12 Oregon taxable income. Caution: Is this amount \$100,000 or more? If yes, you must use Form 40.

13 Tax from tables or rate charts. Figure the tax on your Oregon taxable income, line 12. See pages 23 through 25. For examples, see page 31.

14 Exemption credit. If your income on Form 40S, line 12 is more than \$100,000 you must file Form 40 instead. You may need to use the exemption credit worksheet on page 32 to determine your allowable exemption credit amount.

15 Child and dependent care credit. You're allowed an Oregon credit **only** if you qualify for the federal child and dependent care credit. You may be able to claim the Oregon credit even if you cannot use all of your federal credit.

Use the following worksheet:

- Enter the amount from federal Form 2441, line 6; or Form 1040A, Schedule 2, line 6. Do **not** enter more than \$3,000 for one qualifying child or \$6,000 for two or more qualifying children. 1. _____
- Enter the decimal amount from the following table. 2. _____

If your federal taxable income from Form 1040, line 43; 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

- Multiply the amount on line 1 by the decimal on line 2. Enter the result here and on Form 40S, line 15. 3. _____

Note: Did you pay 2006 child care expenses in 2007? If so, you may be able to use that amount to increase your 2007 Oregon child and dependent care credit. For more information, please contact us.

Carryover. Your total 2007 child and dependent care credit can't be more than your 2007 tax liability for Oregon.

You can carry forward any excess credit over the next five years. If the excess isn't used within five years, it's lost.

16 Other credits. You may qualify for other credits listed here. These are identified by the numeric code shown. Enter the code on line 16a and the amount on line 16b. For example, if you're claiming a \$50 political contribution credit, enter "723" on line 16a and "\$50" on line 16b. If you're claiming more than two "Other credits," use Form 40 instead. Add the amounts on lines 16b and 16d and enter the total on line 16.

- Child and dependent care carryforward [code 704].** Fill in the amount of unused credit from prior year. See page 34.
- Elderly or the disabled [code 709].** You get an Oregon credit only if you qualify for the federal credit. See page 33.
- Income taxes paid to another state [code 733].** You may be eligible for this credit if you paid income tax to another state. See page 33.
- Loss of use of limbs [code 717].** If you have a permanent and complete loss of the use of two limbs, you may take a \$50 tax credit. See page 34.
- Political contribution [code 723].** You may qualify for a credit for political contributions. See page 33.
- Residential energy [code 729].** You may qualify for a credit if you purchased certain energy-efficient items. See page 35.

19 Oregon income tax withheld. Fill in the total Oregon income tax withheld from your wages and other income. That is the amount shown on your Form(s) W-2 in box 17, or on Form 1099. Do not use the FICA (Social Security) tax withheld. Do not use tax withheld from your wages by other states. **Staple a readable copy** of your Form(s) W-2 from each job and any Form(s) 1099 showing Oregon income tax withheld to the lower front of your return.

If you don't have a Form W-2 or 1099, you must provide other proof of any Oregon tax withheld. Proof may include a final paycheck stub or a letter from your employer. If you file before February 1, 2008, we can accept only Form(s) W-2 or 1099 as proof.

If you paid estimated tax for 2007, you must use Form 40.

If you have tax to pay this year, you may want to increase the amount your employer withholds from your 2008 Oregon wages. Download the publication *Oregon Income Tax Withholding* from our website, or contact us to order it.

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

Use the following formula to compute your credit:

1. Enter your federal earned income credit from Form 1040, line 66a; Form 1040A, line 40a; or Form 1040EZ, line 8a. 1. _____
2. Multiply the amount on line 1 by 5 percent (.05). Enter the result here and on Form 40S, line 20. 2. _____

The Oregon earned income credit is refundable. If the credit is more than your tax liability, the difference will be refunded to you.

21 Working family child care credit. This credit is available to low-income working families with **qualifying** child care expenses for a qualifying child under age 13 (or a child who qualifies for the additional exemption credit for a child with a disability). The working family child care credit is refundable. If the credit is more than your tax liability, the difference will be refunded to you. To see if you qualify, go to page 38.

22 Mobile home park closure credit. Enter the amount from Schedule MPC, line 5. Attach Schedule MPC to your return. For more information download the publication from our website, or contact us to order it.

24 Refund. If line 23 is more than line 18, you have a refund. Enter your refund amount on line 24. Go to the next column for information on charitable checkoffs or go to page 14 for line 41 instructions.

25 Tax to pay. If line 18 is more than line 23, you have tax to pay. You may pay **only** with a check, money order, or credit card. If the amount is less than \$2, no payment is required.

Check or money order

- Make your check or money order payable to “Oregon Department of Revenue.”
- Write your daytime telephone number and “2007 Oregon Form 40S” on your check.
- Please use blue or black ballpoint ink. Do not use red or purple ink or gel pens.
- Do not send cash or a postdated check.
- Staple your payment and the Form 40-V payment voucher (below) to your return on top of the Form(s) W-2 and Form(s) 1099.

Credit card or electronic payment from your checking or savings account

You can pay with your Discover, MasterCard, or Visa credit card. Contact the service provider supporting Oregon’s program. The provider **will charge** you a convenience fee based on the amount of your tax payment. The service provider will tell you what the fee is during the transaction; you will have the option to continue or cancel the transaction before entering your credit card information. If you complete the credit card transaction, you will receive a confirmation number. **Please keep this confirmation number as proof of payment.**

Credit card service provider:

• Official Payments Corporation

Call 1-866-720-1327, or go to their website at www.officialpayments.com.

For additional information on credit card payments and service providers, go to our website, or contact us.

Soon you will be able to make an electronic payment from your checking or savings account for your current-year balance due, 2008 estimated tax payments, or prior year taxes. There is no fee to use this method. This option will only be available through our website.

Payment plan. If you cannot pay in full now, we will work with you to set up a payment plan. For more information, please contact us.

Underpayment of estimated tax. If you owe \$1,000 or more, you may owe interest on underpayment of estimated tax. If so, you must file Form 40. See page 36.

Charitable donations. If you don’t have a refund but want to contribute to a charity listed below, mail your donation to the charity’s address listed on our website. Please do **not** mail your donation to the Department of Revenue.

Charitable checkoffs

You can donate all or part of your refund shown on line 24 to the charities listed below. Donations will reduce your refund. You may donate to any or all of the charities on lines 26–37. You may also donate to two of the charities listed under the instructions for lines 38 and 39. Or, you can mail your donations to the addresses listed on our website.

Form 40S 26 Oregon Nongame Wildlife. Your donation will fund the protection of nongame wildlife and its habitat.
Form 40 56

Form 40S 27 Child Abuse Prevention. Your donation will fund programs through the Children’s Trust Fund to help prevent child abuse and neglect.
Form 40 57

Form 40S 28 Alzheimer’s Disease Research. Your donation will fund research of Alzheimer’s and related dementias.
Form 40 58

Form 40S 29 Stop Domestic and Sexual Violence. Your donation will fund programs through the Oregon Coalition Against Domestic and Sexual Violence.
Form 40 59

Form 40S 30 AIDS/HIV Research, Education, and Services. Your donation will fund AIDS/HIV research, education, and services by the Living With HIV Fund.
Form 40 60

Form 40S 31 **Oregon Military Financial Emergency Assistance.** Your donation will fund hardship grants and loans to Oregon National Guard members and their families.
Form 40 61

Form 40S 32 **Habitat for Humanity.** Your donation will help Habitat for Humanity build simple, decent, and affordable housing for low-income families.
Form 40 62

Form 40S 33 **Oregon Head Start Association.** Your donation will help Head Start provide services to the lowest-income, highest-need children and families.
Form 40 63

Form 40S 34 **American Diabetes Association.** Your donation will help continue diabetes research and advocacy programs in Oregon.
Form 40 64

Form 40S 35 **Oregon Coast Aquarium.** Your donation will help fund educational programs, conservation efforts, and animal rehabilitation.
Form 40 65

Form 40S 36 **SMART.** Your donation will help fund the Start Making A Reader Today early literacy program for Oregon's most vulnerable children.
Form 40 66

Form 40S 37 **SOLV.** Your donation will help fund thousands of projects to clean up and restore beaches, forests, rivers, and neighborhoods across Oregon.
Form 40 67

40S 38 & 39 **Other charity.** You may donate all or part of your refund to **two** of the charities listed below. Enter the charity code on Form 40S, in box 38a or 39a; or on Form 40, in box 68a or 69a. **Enter only one code in each box.** Write the amount you want to donate next to the code on Form 40S, line 38b or 39b; or Form 40, line 68b or 69b. If you want to donate to more than two charities listed below, you can mail your donations directly to the charities at the addresses listed on our website.
40 68 & 69

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

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

Doernbecher Children's Hospital Foundation [code 9]. Your donation will fund a critical expansion of the cancer treatment facilities at Doernbecher.

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

The Salvation Army—Oregon [code 11]. Your donation to the Salvation Army ensures help for the neediest children and their families throughout Oregon.

The Oregon Veterans' Home [code 12]. Your donation will improve the quality of life for veterans receiving nursing care at the Oregon Veterans' Home.

Planned Parenthood of Oregon [code 13]. Your donation will fund family planning services and reproductive health education programs.

Oregon Lions Sight & Hearing Foundation [code 14]. Your donation will fund sight and hearing assistance, and provide diabetes awareness for Oregonians.

Shriners Hospitals for Children—Portland [code 15]. Your donation will help provide braces and artificial limbs for Oregon's children.

Special Olympics Oregon [code 16]. Your donation will help provide life-changing services to thousands of Oregonians with intellectual disabilities.

Susan G. Komen for the Cure, Oregon & SW Washington Affiliate [code 17]. Your donation funds critical breast cancer research, education, screening and treatment.

Oregon Historical Society [code 18]. Your donation helps us collect and preserve materials of historical character for studying and understanding Oregon history.

41 Net refund. You must reduce your refund by any donations made on lines 26–39. **The department cannot issue a refund if your return is filed more than three years after the due date of the return.**

42 Direct deposit. See page 37.

To finish your return, go to the signature block section on page 37.

Form 40S

For Oregon forms, please visit our website at

www.oregon.gov/DOR

and click on "Tax Forms"

Form 40S

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Form 40S

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Form 40

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Form 40

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and click on "Tax Forms"

2007 Tax Tables for Forms 40S & 40

S Use column S if you are:

- Single
- Married filing separately

J Use column J if you are:

- Married filing jointly
- Head of household
- Widow(er) with dependent child

If income from Form 40S, line 12; or Form 40, line 28 is:		And you use column:		If income from Form 40S, line 12; or Form 40, line 28 is:		And you use column:		If income from Form 40S, line 12; or Form 40, line 28 is:		And you use column:	
At least:	But less than:	S	J	At least:	But less than:	S	J	At least:	But less than:	S	J
		Your tax is:				Your tax is:				Your tax is:	

\$ 0				\$ 4,000				\$ 9,000				\$ 14,000		
				4,000 - 4,100	227	203		9,000 - 9,100	615	520		14,000 - 14,100	1,065	870
				4,100 - 4,200	234	208		9,100 - 9,200	624	527		14,100 - 14,200	1,074	877
				4,200 - 4,300	241	213		9,200 - 9,300	633	534		14,200 - 14,300	1,083	884
				4,300 - 4,400	248	218		9,300 - 9,400	642	541		14,300 - 14,400	1,092	892
				4,400 - 4,500	255	223		9,400 - 9,500	651	548		14,400 - 14,500	1,101	901
				4,500 - 4,600	262	228		9,500 - 9,600	660	555		14,500 - 14,600	1,110	910
				4,600 - 4,700	269	233		9,600 - 9,700	669	562		14,600 - 14,700	1,119	919
				4,700 - 4,800	276	238		9,700 - 9,800	678	569		14,700 - 14,800	1,128	928
--	20	-	-	4,800 - 4,900	283	243		9,800 - 9,900	687	576		14,800 - 14,900	1,137	937
20 -	50	2	2	4,900 - 5,000	290	248		9,900 - 10,000	696	583		14,900 - 15,000	1,146	946

\$ 50				\$ 5,000				\$ 10,000				\$ 15,000		
50 -	100	4	4	5,000 - 5,100	297	253		10,000 - 10,100	705	590		15,000 - 15,100	1,155	955
100 -	200	8	8	5,100 - 5,200	304	258		10,100 - 10,200	714	597		15,100 - 15,200	1,164	964
200 -	300	13	13	5,200 - 5,300	311	263		10,200 - 10,300	723	604		15,200 - 15,300	1,173	973
300 -	400	18	18	5,300 - 5,400	318	268		10,300 - 10,400	732	611		15,300 - 15,400	1,182	982
400 -	500	23	23	5,400 - 5,500	325	273		10,400 - 10,500	741	618		15,400 - 15,500	1,191	991
500 -	600	28	28	5,500 - 5,600	332	278		10,500 - 10,600	750	625		15,500 - 15,600	1,200	1,000
600 -	700	33	33	5,600 - 5,700	339	283		10,600 - 10,700	759	632		15,600 - 15,700	1,209	1,009
700 -	800	38	38	5,700 - 5,800	346	289		10,700 - 10,800	768	639		15,700 - 15,800	1,218	1,018
800 -	900	43	43	5,800 - 5,900	353	296		10,800 - 10,900	777	646		15,800 - 15,900	1,227	1,027
900 -	1,000	48	48	5,900 - 6,000	360	303		10,900 - 11,000	786	653		15,900 - 16,000	1,236	1,036

\$ 1,000				\$ 6,000				\$ 11,000				\$ 16,000		
1,000 -	1,100	53	53	6,000 - 6,100	367	310		11,000 - 11,100	795	660		16,000 - 16,100	1,245	1,045
1,100 -	1,200	58	58	6,100 - 6,200	374	317		11,100 - 11,200	804	667		16,100 - 16,200	1,254	1,054
1,200 -	1,300	63	63	6,200 - 6,300	381	324		11,200 - 11,300	813	674		16,200 - 16,300	1,263	1,063
1,300 -	1,400	68	68	6,300 - 6,400	388	331		11,300 - 11,400	822	681		16,300 - 16,400	1,272	1,072
1,400 -	1,500	73	73	6,400 - 6,500	395	338		11,400 - 11,500	831	688		16,400 - 16,500	1,281	1,081
1,500 -	1,600	78	78	6,500 - 6,600	402	345		11,500 - 11,600	840	695		16,500 - 16,600	1,290	1,090
1,600 -	1,700	83	83	6,600 - 6,700	409	352		11,600 - 11,700	849	702		16,600 - 16,700	1,299	1,099
1,700 -	1,800	88	88	6,700 - 6,800	416	359		11,700 - 11,800	858	709		16,700 - 16,800	1,308	1,108
1,800 -	1,900	93	93	6,800 - 6,900	423	366		11,800 - 11,900	867	716		16,800 - 16,900	1,317	1,117
1,900 -	2,000	98	98	6,900 - 7,000	430	373		11,900 - 12,000	876	723		16,900 - 17,000	1,326	1,126

\$ 2,000				\$ 7,000				\$ 12,000				\$ 17,000		
2,000 -	2,100	103	103	7,000 - 7,100	437	380		12,000 - 12,100	885	730		17,000 - 17,100	1,335	1,135
2,100 -	2,200	108	108	7,100 - 7,200	444	387		12,100 - 12,200	894	737		17,100 - 17,200	1,344	1,144
2,200 -	2,300	113	113	7,200 - 7,300	453	394		12,200 - 12,300	903	744		17,200 - 17,300	1,353	1,153
2,300 -	2,400	118	118	7,300 - 7,400	462	401		12,300 - 12,400	912	751		17,300 - 17,400	1,362	1,162
2,400 -	2,500	123	123	7,400 - 7,500	471	408		12,400 - 12,500	921	758		17,400 - 17,500	1,371	1,171
2,500 -	2,600	128	128	7,500 - 7,600	480	415		12,500 - 12,600	930	765		17,500 - 17,600	1,380	1,180
2,600 -	2,700	133	133	7,600 - 7,700	489	422		12,600 - 12,700	939	772		17,600 - 17,700	1,389	1,189
2,700 -	2,800	138	138	7,700 - 7,800	498	429		12,700 - 12,800	948	779		17,700 - 17,800	1,398	1,198
2,800 -	2,900	143	143	7,800 - 7,900	507	436		12,800 - 12,900	957	786		17,800 - 17,900	1,407	1,207
2,900 -	3,000	150	148	7,900 - 8,000	516	443		12,900 - 13,000	966	793		17,900 - 18,000	1,416	1,216

\$ 3,000				\$ 8,000				\$ 13,000				\$ 18,000		
3,000 -	3,100	157	153	8,000 - 8,100	525	450		13,000 - 13,100	975	800		18,000 - 18,100	1,425	1,225
3,100 -	3,200	164	158	8,100 - 8,200	534	457		13,100 - 13,200	984	807		18,100 - 18,200	1,434	1,234
3,200 -	3,300	171	163	8,200 - 8,300	543	464		13,200 - 13,300	993	814		18,200 - 18,300	1,443	1,243
3,300 -	3,400	178	168	8,300 - 8,400	552	471		13,300 - 13,400	1,002	821		18,300 - 18,400	1,452	1,252
3,400 -	3,500	185	173	8,400 - 8,500	561	478		13,400 - 13,500	1,011	828		18,400 - 18,500	1,461	1,261
3,500 -	3,600	192	178	8,500 - 8,600	570	485		13,500 - 13,600	1,020	835		18,500 - 18,600	1,470	1,270
3,600 -	3,700	199	183	8,600 - 8,700	579	492		13,600 - 13,700	1,029	842		18,600 - 18,700	1,479	1,279
3,700 -	3,800	206	188	8,700 - 8,800	588	499		13,700 - 13,800	1,038	849		18,700 - 18,800	1,488	1,288
3,800 -	3,900	213	193	8,800 - 8,900	597	506		13,800 - 13,900	1,047	856		18,800 - 18,900	1,497	1,297
3,900 -	4,000	220	198	8,900 - 9,000	606	513		13,900 - 14,000	1,056	863		18,900 - 19,000	1,506	1,306

2007 Tax Tables for Forms 40S & 40

S

Use column S if you are:

- Single
- Married filing separately

J

Use column J if you are:

- Married filing jointly
- Head of household
- Widow(er) with dependent child

If income from Form 40S, line 12; or Form 40, line 28 is:		And you use column:		If income from Form 40S, line 12; or Form 40, line 28 is:		And you use column:		If income from Form 40S, line 12; or Form 40, line 28 is:		And you use column:		If income from Form 40S, line 12; or Form 40, line 28 is:		And you use column:	
At least:	But less than:	S	J	At least:	But less than:	S	J	At least:	But less than:	S	J	At least:	But less than:	S	J
		Your tax is:				Your tax is:				Your tax is:				Your tax is:	
\$ 19,000				\$ 24,000				\$ 29,000				\$ 34,000			
19,000 - 19,100	1,515	1,315		24,000 - 24,100	1,965	1,765		29,000 - 29,100	2,415	2,215		34,000 - 34,100	2,865	2,665	
19,100 - 19,200	1,524	1,324		24,100 - 24,200	1,974	1,774		29,100 - 29,200	2,424	2,224		34,100 - 34,200	2,874	2,674	
19,200 - 19,300	1,533	1,333		24,200 - 24,300	1,983	1,783		29,200 - 29,300	2,433	2,233		34,200 - 34,300	2,883	2,683	
19,300 - 19,400	1,542	1,342		24,300 - 24,400	1,992	1,792		29,300 - 29,400	2,442	2,242		34,300 - 34,400	2,892	2,692	
19,400 - 19,500	1,551	1,351		24,400 - 24,500	2,001	1,801		29,400 - 29,500	2,451	2,251		34,400 - 34,500	2,901	2,701	
19,500 - 19,600	1,560	1,360		24,500 - 24,600	2,010	1,810		29,500 - 29,600	2,460	2,260		34,500 - 34,600	2,910	2,710	
19,600 - 19,700	1,569	1,369		24,600 - 24,700	2,019	1,819		29,600 - 29,700	2,469	2,269		34,600 - 34,700	2,919	2,719	
19,700 - 19,800	1,578	1,378		24,700 - 24,800	2,028	1,828		29,700 - 29,800	2,478	2,278		34,700 - 34,800	2,928	2,728	
19,800 - 19,900	1,587	1,387		24,800 - 24,900	2,037	1,837		29,800 - 29,900	2,487	2,287		34,800 - 34,900	2,937	2,737	
19,900 - 20,000	1,596	1,396		24,900 - 25,000	2,046	1,846		29,900 - 30,000	2,496	2,296		34,900 - 35,000	2,946	2,746	
\$ 20,000				\$ 25,000				\$ 30,000				\$ 35,000			
20,000 - 20,100	1,605	1,405		25,000 - 25,100	2,055	1,855		30,000 - 30,100	2,505	2,305		35,000 - 35,100	2,955	2,755	
20,100 - 20,200	1,614	1,414		25,100 - 25,200	2,064	1,864		30,100 - 30,200	2,514	2,314		35,100 - 35,200	2,964	2,764	
20,200 - 20,300	1,623	1,423		25,200 - 25,300	2,073	1,873		30,200 - 30,300	2,523	2,323		35,200 - 35,300	2,973	2,773	
20,300 - 20,400	1,632	1,432		25,300 - 25,400	2,082	1,882		30,300 - 30,400	2,532	2,332		35,300 - 35,400	2,982	2,782	
20,400 - 20,500	1,641	1,441		25,400 - 25,500	2,091	1,891		30,400 - 30,500	2,541	2,341		35,400 - 35,500	2,991	2,791	
20,500 - 20,600	1,650	1,450		25,500 - 25,600	2,100	1,900		30,500 - 30,600	2,550	2,350		35,500 - 35,600	3,000	2,800	
20,600 - 20,700	1,659	1,459		25,600 - 25,700	2,109	1,909		30,600 - 30,700	2,559	2,359		35,600 - 35,700	3,009	2,809	
20,700 - 20,800	1,668	1,468		25,700 - 25,800	2,118	1,918		30,700 - 30,800	2,568	2,368		35,700 - 35,800	3,018	2,818	
20,800 - 20,900	1,677	1,477		25,800 - 25,900	2,127	1,927		30,800 - 30,900	2,577	2,377		35,800 - 35,900	3,027	2,827	
20,900 - 21,000	1,686	1,486		25,900 - 26,000	2,136	1,936		30,900 - 31,000	2,586	2,386		35,900 - 36,000	3,036	2,836	
\$ 21,000				\$ 26,000				\$ 31,000				\$ 36,000			
21,000 - 21,100	1,695	1,495		26,000 - 26,100	2,145	1,945		31,000 - 31,100	2,595	2,395		36,000 - 36,100	3,045	2,845	
21,100 - 21,200	1,704	1,504		26,100 - 26,200	2,154	1,954		31,100 - 31,200	2,604	2,404		36,100 - 36,200	3,054	2,854	
21,200 - 21,300	1,713	1,513		26,200 - 26,300	2,163	1,963		31,200 - 31,300	2,613	2,413		36,200 - 36,300	3,063	2,863	
21,300 - 21,400	1,722	1,522		26,300 - 26,400	2,172	1,972		31,300 - 31,400	2,622	2,422		36,300 - 36,400	3,072	2,872	
21,400 - 21,500	1,731	1,531		26,400 - 26,500	2,181	1,981		31,400 - 31,500	2,631	2,431		36,400 - 36,500	3,081	2,881	
21,500 - 21,600	1,740	1,540		26,500 - 26,600	2,190	1,990		31,500 - 31,600	2,640	2,440		36,500 - 36,600	3,090	2,890	
21,600 - 21,700	1,749	1,549		26,600 - 26,700	2,199	1,999		31,600 - 31,700	2,649	2,449		36,600 - 36,700	3,099	2,899	
21,700 - 21,800	1,758	1,558		26,700 - 26,800	2,208	2,008		31,700 - 31,800	2,658	2,458		36,700 - 36,800	3,108	2,908	
21,800 - 21,900	1,767	1,567		26,800 - 26,900	2,217	2,017		31,800 - 31,900	2,667	2,467		36,800 - 36,900	3,117	2,917	
21,900 - 22,000	1,776	1,576		26,900 - 27,000	2,226	2,026		31,900 - 32,000	2,676	2,476		36,900 - 37,000	3,126	2,926	
\$ 22,000				\$ 27,000				\$ 32,000				\$ 37,000			
22,000 - 22,100	1,785	1,585		27,000 - 27,100	2,235	2,035		32,000 - 32,100	2,685	2,485		37,000 - 37,100	3,135	2,935	
22,100 - 22,200	1,794	1,594		27,100 - 27,200	2,244	2,044		32,100 - 32,200	2,694	2,494		37,100 - 37,200	3,144	2,944	
22,200 - 22,300	1,803	1,603		27,200 - 27,300	2,253	2,053		32,200 - 32,300	2,703	2,503		37,200 - 37,300	3,153	2,953	
22,300 - 22,400	1,812	1,612		27,300 - 27,400	2,262	2,062		32,300 - 32,400	2,712	2,512		37,300 - 37,400	3,162	2,962	
22,400 - 22,500	1,821	1,621		27,400 - 27,500	2,271	2,071		32,400 - 32,500	2,721	2,521		37,400 - 37,500	3,171	2,971	
22,500 - 22,600	1,830	1,630		27,500 - 27,600	2,280	2,080		32,500 - 32,600	2,730	2,530		37,500 - 37,600	3,180	2,980	
22,600 - 22,700	1,839	1,639		27,600 - 27,700	2,289	2,089		32,600 - 32,700	2,739	2,539		37,600 - 37,700	3,189	2,989	
22,700 - 22,800	1,848	1,648		27,700 - 27,800	2,298	2,098		32,700 - 32,800	2,748	2,548		37,700 - 37,800	3,198	2,998	
22,800 - 22,900	1,857	1,657		27,800 - 27,900	2,307	2,107		32,800 - 32,900	2,757	2,557		37,800 - 37,900	3,207	3,007	
22,900 - 23,000	1,866	1,666		27,900 - 28,000	2,316	2,116		32,900 - 33,000	2,766	2,566		37,900 - 38,000	3,216	3,016	
\$ 23,000				\$ 28,000				\$ 33,000				\$ 38,000			
23,000 - 23,100	1,875	1,675		28,000 - 28,100	2,325	2,125		33,000 - 33,100	2,775	2,575		38,000 - 38,100	3,225	3,025	
23,100 - 23,200	1,884	1,684		28,100 - 28,200	2,334	2,134		33,100 - 33,200	2,784	2,584		38,100 - 38,200	3,234	3,034	
23,200 - 23,300	1,893	1,693		28,200 - 28,300	2,343	2,143		33,200 - 33,300	2,793	2,593		38,200 - 38,300	3,243	3,043	
23,300 - 23,400	1,902	1,702		28,300 - 28,400	2,352	2,152		33,300 - 33,400	2,802	2,602		38,300 - 38,400	3,252	3,052	
23,400 - 23,500	1,911	1,711		28,400 - 28,500	2,361	2,161		33,400 - 33,500	2,811	2,611		38,400 - 38,500	3,261	3,061	
23,500 - 23,600	1,920	1,720		28,500 - 28,600	2,370	2,170		33,500 - 33,600	2,820	2,620		38,500 - 38,600	3,270	3,070	
23,600 - 23,700	1,929	1,729		28,600 - 28,700	2,379	2,179		33,600 - 33,700	2,829	2,629		38,600 - 38,700	3,279	3,079	
23,700 - 23,800	1,938	1,738		28,700 - 28,800	2,388	2,188		33,700 - 33,800	2,838	2,638		38,700 - 38,800	3,288	3,088	
23,800 - 23,900	1,947	1,747		28,800 - 28,900	2,397	2,197		33,800 - 33,900	2,847	2,647		38,800 - 38,900	3,297	3,097	
23,900 - 24,000	1,956	1,756		28,900 - 29,000	2,406	2,206		33,900 - 34,000	2,856	2,656		38,900 - 39,000	3,306	3,106	

2007 Tax Tables for Forms 40S & 40

S

Use column S if you are:

- Single
- Married filing separately

J

Use column J if you are:

- Married filing jointly
- Head of household
- Widow(er) with dependent child

If income from Form 40S, line 12; or Form 40, line 28 is:		And you use column:		If income from Form 40S, line 12; or Form 40, line 28 is:		And you use column:		If income from Form 40S, line 12; or Form 40, line 28 is:		And you use column:	
At least:	But less than:	S	J	At least:	But less than:	S	J	At least:	But less than:	S	J
		Your tax is:				Your tax is:				Your tax is:	
\$ 39,000			\$ 42,000			\$ 45,000			\$ 48,000		
39,000 - 39,100	3,315	3,115	42,000 - 42,100	3,585	3,385	45,000 - 45,100	3,855	3,655	48,000 - 48,100	4,125	3,925
39,100 - 39,200	3,324	3,124	42,100 - 42,200	3,594	3,394	45,100 - 45,200	3,864	3,664	48,100 - 48,200	4,134	3,934
39,200 - 39,300	3,333	3,133	42,200 - 42,300	3,603	3,403	45,200 - 45,300	3,873	3,673	48,200 - 48,300	4,143	3,943
39,300 - 39,400	3,342	3,142	42,300 - 42,400	3,612	3,412	45,300 - 45,400	3,882	3,682	48,300 - 48,400	4,152	3,952
39,400 - 39,500	3,351	3,151	42,400 - 42,500	3,621	3,421	45,400 - 45,500	3,891	3,691	48,400 - 48,500	4,161	3,961
39,500 - 39,600	3,360	3,160	42,500 - 42,600	3,630	3,430	45,500 - 45,600	3,900	3,700	48,500 - 48,600	4,170	3,970
39,600 - 39,700	3,369	3,169	42,600 - 42,700	3,639	3,439	45,600 - 45,700	3,909	3,709	48,600 - 48,700	4,179	3,979
39,700 - 39,800	3,378	3,178	42,700 - 42,800	3,648	3,448	45,700 - 45,800	3,918	3,718	48,700 - 48,800	4,188	3,988
39,800 - 39,900	3,387	3,187	42,800 - 42,900	3,657	3,457	45,800 - 45,900	3,927	3,727	48,800 - 48,900	4,197	3,997
39,900 - 40,000	3,396	3,196	42,900 - 43,000	3,666	3,466	45,900 - 46,000	3,936	3,736	48,900 - 49,000	4,206	4,006
\$ 40,000			\$ 43,000			\$ 46,000			\$ 49,000		
40,000 - 40,100	3,405	3,205	43,000 - 43,100	3,675	3,475	46,000 - 46,100	3,945	3,745	49,000 - 49,100	4,215	4,015
40,100 - 40,200	3,414	3,214	43,100 - 43,200	3,684	3,484	46,100 - 46,200	3,954	3,754	49,100 - 49,200	4,224	4,024
40,200 - 40,300	3,423	3,223	43,200 - 43,300	3,693	3,493	46,200 - 46,300	3,963	3,763	49,200 - 49,300	4,233	4,033
40,300 - 40,400	3,432	3,232	43,300 - 43,400	3,702	3,502	46,300 - 46,400	3,972	3,772	49,300 - 49,400	4,242	4,042
40,400 - 40,500	3,441	3,241	43,400 - 43,500	3,711	3,511	46,400 - 46,500	3,981	3,781	49,400 - 49,500	4,251	4,051
40,500 - 40,600	3,450	3,250	43,500 - 43,600	3,720	3,520	46,500 - 46,600	3,990	3,790	49,500 - 49,600	4,260	4,060
40,600 - 40,700	3,459	3,259	43,600 - 43,700	3,729	3,529	46,600 - 46,700	3,999	3,799	49,600 - 49,700	4,269	4,069
40,700 - 40,800	3,468	3,268	43,700 - 43,800	3,738	3,538	46,700 - 46,800	4,008	3,808	49,700 - 49,800	4,278	4,078
40,800 - 40,900	3,477	3,277	43,800 - 43,900	3,747	3,547	46,800 - 46,900	4,017	3,817	49,800 - 49,900	4,287	4,087
40,900 - 41,000	3,486	3,286	43,900 - 44,000	3,756	3,556	46,900 - 47,000	4,026	3,826	49,900 - 50,001	4,296	4,096
\$ 41,000			\$ 44,000			\$ 47,000					
41,000 - 41,100	3,495	3,295	44,000 - 44,100	3,765	3,565	47,000 - 47,100	4,035	3,835			
41,100 - 41,200	3,504	3,304	44,100 - 44,200	3,774	3,574	47,100 - 47,200	4,044	3,844			
41,200 - 41,300	3,513	3,313	44,200 - 44,300	3,783	3,583	47,200 - 47,300	4,053	3,853			
41,300 - 41,400	3,522	3,322	44,300 - 44,400	3,792	3,592	47,300 - 47,400	4,062	3,862			
41,400 - 41,500	3,531	3,331	44,400 - 44,500	3,801	3,601	47,400 - 47,500	4,071	3,871			
41,500 - 41,600	3,540	3,340	44,500 - 44,600	3,810	3,610	47,500 - 47,600	4,080	3,880			
41,600 - 41,700	3,549	3,349	44,600 - 44,700	3,819	3,619	47,600 - 47,700	4,089	3,889			
41,700 - 41,800	3,558	3,358	44,700 - 44,800	3,828	3,628	47,700 - 47,800	4,098	3,898			
41,800 - 41,900	3,567	3,367	44,800 - 44,900	3,837	3,637	47,800 - 47,900	4,107	3,907			
41,900 - 42,000	3,576	3,376	44,900 - 45,000	3,846	3,646	47,900 - 48,000	4,116	3,916			

2007 Tax Rate Charts

S

Chart S:

For persons filing

Single or Married filing separately

If your taxable income is: Your tax is:

Over \$50,000.....\$4,300 plus 9% of excess over \$50,000

J

Chart J:

For persons filing

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

If your taxable income is: Your tax is:

Over \$50,000.....\$4,100 plus 9% of excess over \$50,000

Form 40 line instructions

The following instructions are for lines not fully explained on the form. For general Form 40 instructions, see page 9.

Amended return. If you are amending your 2007 return, check the box in the upper left corner of Form 40 and attach the *Oregon Amended Schedule*.

Do not fill in cents. You must round off cents to the nearest dollar. For example, \$99.49 becomes \$99.00, and \$99.50 becomes \$100.00.

8 Federal adjusted gross income. Enter your federal adjusted gross income from Form 1040, line 37; Form 1040A, line 21; Form 1040EZ, line 4; Form 1040NR, line 35; or Form 1040NR-EZ, line 10. You **must** attach a copy (front and back) of your federal return to your Oregon Form 40. This helps us verify your income and process your return faster.

Additions

Generally, additions are items not taxed by the federal government, but taxed by Oregon. Additions increase the income taxed by Oregon.

9 Interest and dividends on state and local government bonds outside of Oregon. You must add to Oregon income any interest and dividends you received from state and local governments **outside** Oregon. You don't pay federal tax on this interest, but you do pay Oregon tax.

Example: Include interest from state of Washington bonds or from San Francisco city bonds. Do not include interest from Oregon government bonds or interest from U.S. territories or possessions (such as Guam, Puerto Rico, or the Virgin Islands).

10 Other additions. You may need to report one or more other additions explained here. Please identify the addition using the numeric code shown. If you have only one "Other addition," enter the code on line 10x and the amount on lines 10y and 10. For example, if you're reporting a \$200 addition for claim of right, enter "103" on line 10x and "\$200" on lines 10y and 10. If you're claiming more than one "Other additions," do not enter a code or amount on line 10x or 10y. Instead, check box 10z and attach Schedule OR-A to your return with the numeric codes and amounts of the additions. Enter the total from Schedule OR-A on line 10.

• **Federal deduction for long-term care insurance premiums [code 104].** Will you claim an Oregon long-term care insurance premiums credit this year? Did you claim a federal deduction on federal Schedule A for the premiums? If so, you must add to Oregon income the amount of premiums that resulted in a

tax benefit on your federal return. Download the publication *Long-Term Care Insurance Premiums Tax Credit* from our website or contact us to order it.

• **Federal election on interest and dividends of a minor child [code 107].** Did you report interest or dividends of your minor child on your federal return? If so, you must add to Oregon income the amount subject to the special federal tax. Fill in the smaller of line 13 or 14 from federal Form 8814. Add to that any interest or dividends your child received from state and local governments outside Oregon.

• **Federal income tax refunds [code 109].** Did you get a federal tax refund in 2007 because you filed an amended federal return for a prior year or were audited? If so, you must add the refund amount that gave you an Oregon tax benefit in a prior year. You received an Oregon tax benefit if the amount of the refund was claimed as part of your federal tax subtraction on your Oregon return for the prior year.

• **Gambling losses claimed as an itemized deduction [code 105].** Did you claim gambling losses as an itemized deduction on your federal Schedule A? If so, you must add the gambling losses claimed as an itemized deduction that are more than the gambling winnings taxed by Oregon. For more information, see Oregon Lottery on page 29.

• **Lump-sum payment from a qualified retirement plan [code 115].** Did you complete federal Form 4972 to figure the tax on a qualified lump-sum distribution using the 20 percent capital gain election and/or the 10-year tax option? If so, part or all of your lump-sum distribution will not be included in your federal adjusted gross income (AGI). The taxable amount of your distribution (federal Form 1099-R, box 2a) that isn't included in your federal AGI is taxable to Oregon. Fill in the excluded amount on line 10 of your Oregon Form 40. Attach a copy of federal Form 1099-R to your Oregon return along with your Form(s) W-2 and other Form(s) 1099. For more information, please contact us.

• The following additions apply to only a few people and are not explained in this booklet. For more information, go to our website or contact us.

— 529 Oregon College Savings Network plan non-qualified withdrawal [code 117].

— Basis adjustments [code 101].

• Depletion in excess of property basis.

• Depreciation difference for Oregon.

• Gain or loss on the sale of depreciable property with different basis for Oregon.

• Passive activity losses.

• Suspended losses.

— Business credit, unused [code 122].

- Claim of right income repayments [code 103].
- Disposition of inherited Oregon farmland or forestland [code 106].
- Domestic production activities deduction [code 102].
- Fiduciary adjustments [code 100].
 - Accumulation distribution from a trust.
 - Federal estate tax on income in respect of a decedent.
 - Fiduciary adjustments from Oregon estates and trusts.
- Individual Development Account (IDA) [code 113].
 - Non-qualified withdrawal.
 - Addback for IDA donation credit.
- Itemized or business deduction addback for Oregon credits [code 104].
 - Contributions to: Child Care Fund, Oregon Cultural Trust, Oregon Production Investment Fund, or university venture fund.
 - Income taxes paid to another state.
 - Long-term care insurance premiums.
 - Self-employed long-term care insurance deduction.
- Net operating loss non-Oregon source [code 116].
- Oregon deferral of reinvested capital gain [code 118].
- Partnership or S corporation modifications for Oregon [code 119].
- Schedule A deduction addback for Oregon subtractions [code 105].
 - Gambling losses claimed as itemized deduction.
 - Oregon only Schedule A item.
 - Refund of Oregon only Schedule A items from a prior year.
- Specially taxed income under federal law [code 115].
 - Lump-sum distributions from a qualified retirement plan.
 - Passive foreign investment company income.

Subtractions

Generally, subtractions are items the federal government taxes but Oregon does not. Subtractions reduce the income taxed by Oregon.

13 **2007 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 are not the same.

You may deduct your total federal income tax liability, after credits. Don't fill in less than -0- or more than \$5,500 (\$2,750 if married filing separately).

1. Enter your federal tax liability from Form 1040, line 57; Form 1040A, line 35; Form 1040EZ, line 10; Form 1040NR, line 52; or Form 1040NR-EZ, line 15. 1. _____
2. Enter your tax on qualified retirement plans from Form 1040, line 60; or Form 1040NR, line 55; any recapture taxes you included on the dotted line of Form 1040, line 63; or Form 1040NR, line 58; and the amount on Form 1040NR, line 53. 2. _____
3. Add lines 1 and 2. 3. _____
4. Enter \$5,500 (\$2,750 if married filing separately). 4. _____
5. Enter the smaller of line 3 or line 4 here and on Form 40, line 13. 5. _____

Caution: Don't include any of the following on line 2:

- Self-employment tax.
- Social Security and Medicare tax on tips.
- Advance earned income credit payments.
- Household employment taxes.

Are you amending your 2007 return? See the *Oregon Amended Schedule* instructions to figure your subtraction for federal tax liability.

Did you pay additional federal tax in 2007 because you were audited or filed an amended return? If so, see page 28 for line 18 instructions.

The total of your federal tax subtraction (line 13), your federal tax from a prior year (line 18, code 309), and your foreign tax subtraction (line 18, code 311) cannot be more than \$5,500 (\$2,750 if married filing separately). The foreign tax portion of your federal tax subtraction cannot be more than \$3,000 (\$1,500 if married filing separately).

14 **Social Security and tier 1 Railroad Retirement Board benefits income.** Fill in the amount from federal Form 1040, line 20b; or Form 1040A, line 14b. If you have tier 2, windfall/vested dual, or supplemental Railroad Retirement Board benefits, these are subtracted on line 18. For more information, contact us.

15 **Oregon income tax refund included in federal income.** Fill in your Oregon state income tax refund from federal Form 1040, line 10. **Do not include local, county, or other states' tax refunds.**

16 **Interest and dividends from U.S. government.** Fill in interest and dividends from the U.S. government that you included on your federal return. Include U.S. government interest and dividends you received through partnerships or grantor trusts. See line 18 to subtract U.S. government interest in IRA or Keogh distributions. **Do not include interest on federal tax refunds in the subtraction.**

Examples:

- You can subtract interest from U.S. Series EE, I, or HH bonds and Treasury bills or notes.
- You can subtract interest and dividends paid to you by organizations that invest in U.S. government securities. The payer may have given the percentage of interest and dividends from U.S. government securities on your Form 1099. Download the publication *Interest and Dividends on U.S. Bonds and Notes* from our website or contact us to order it.
- If you reported interest or dividends of your minor child on your federal return, you can subtract any U.S. government interest included.
- You must reduce U.S. government interest and dividends by any interest expense relating to U.S. government obligations deducted on your federal Schedule A.

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

17 Federal pension income. You may be able to subtract some or all of your taxable federal pension included in 2007 federal income. This includes benefits paid to the retiree or the beneficiary. The subtraction amount is based on the number of months of federal service before and after October 1, 1991:

- **If all your months of federal service were before October 1, 1991,** subtract 100 percent of the taxable amount of federal pension income you reported on your federal return.
- **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,** subtract a percentage of the taxable federal pension income you reported on your federal return. To determine your percentage, divide the months of service before October 1, 1991, by the total months of service. Round to three places (example: $4576 = 45.8$ percent). Once you've determined the percentage, it will remain the same each year. Write the percentage on line 17a. If you have two federal pensions, write the second percentage on line 17b and enter your total subtraction amount on line 17. Figure the percentage for each pension separately.

Federal pension subtraction formula:

$$\frac{\text{Months of service before 10/1/91}}{\text{Total months of service}} \times \text{Federal pension amount included in federal income} = \text{Oregon subtraction}$$

Example: Ann worked for the U.S. Forest Service from May 27, 1976, until January 7, 2007. She worked a total of 367 months; 184 months were worked before October 1, 1991. In 2007, she received taxable federal

pension income of \$35,000. Using the formula above, her federal pension subtraction is:

$$\frac{184}{367} \times \$35,000 = \$17,535$$

She can subtract 50.1 percent—or \$17,535 ($\$35,000 \times .501$)—of her taxable federal pension. She will continue to subtract 50.1 percent from Oregon income in future years.

18 Other subtractions. You may qualify for one or more other subtractions explained below. Please identify the subtraction using the numeric code shown. If you have only one "Other subtraction," enter the numeric code on line 18x and the amount on lines 18y and 18. For example, if you're claiming a \$100 Oregon Lottery subtraction, enter "322" on line 18x and "\$100" on lines 18y and 18.

If you're claiming more than one "Other subtractions," do not enter a code or amount on line 18x or 18y. Instead, check box 18z and attach Schedule OR-A to your return with the numeric codes and amounts of the subtractions. Enter the total from Schedule OR-A on line 18. Do **not** use this line to subtract federal pension (use line 17 instead). For more information, go to our website or contact us.

• **529 Oregon College Savings Plan [code 324].** You can subtract up to \$2,000 (\$1,000 if married filing separately) of contributions made to a 529 Oregon College Savings Network account in 2007. If you contribute more than \$2,000, you can carry forward the remaining contribution not subtracted over the next four years. Keep a copy of your account statement with your tax records. For more information, go to www.oregon529network.com, or contact us.

• **American Indian [code 300].** Are you an enrolled member of a federally recognized American Indian tribe? You may be able to subtract all or part of your income if **all** of the following are true:

- You are an enrolled member of a federally recognized American Indian tribe, and
- Your income was from sources within federally recognized Indian country in Oregon, and
- You lived in federally recognized Indian country in Oregon when the income was earned.

You must attach a completed copy of your *Exempt Income Schedule for Enrolled Members of a Federally Recognized American Indian Tribe* to your return. Download the schedule from our website or contact us to order it.

• **Domestic partner benefits [code 305].** If your employer provides taxable health insurance or other benefits to you and another person who qualifies as your same-sex domestic partner, you may qualify for a subtraction on the Oregon return. For more information, please contact us.

• **Federal tax from a prior year [code 309].** Did you pay additional federal income tax in 2007 because you

were audited or you amended a prior year's return? If so, you may be able to subtract the additional tax. This subtraction applies only to additional tax you paid because your return was changed. It does not include the tax from the original return or interest or penalties you paid.

Use the following worksheet to figure your subtraction for federal tax from a prior year.

- | | |
|--|----------|
| 1. Enter \$5,500 (\$2,750 if married filing separately). | 1. _____ |
| 2. Enter your federal tax liability from Form 40, line 13. | 2. _____ |
| 3. Line 1 minus line 2. If the result is -0-, you cannot deduct your federal tax paid for a prior year. If greater than -0-, enter the result on line 3. | 3. _____ |
| 4. Enter the amount of federal tax you paid in 2007 for a prior year. | 4. _____ |
| 5. Enter the smaller of line 3 or line 4 here and on Form 40, line 18 and identify using code 309. | 5. _____ |

• **Individual Development Account (IDA) [code 314].** Did you deposit money into your IDA or did you report interest income from your IDA on your federal return? If so, you can subtract the amount deposited into your account and the interest income reported on your federal return. For more information, go to www.tnfpf.org and review "IDA initiative," or contact us.

• **Military active duty pay [code 319].** If you included U.S. military active duty pay in your federal taxable income, you may qualify for a subtraction on your Oregon return.

You can subtract all active duty pay earned outside Oregon during the year plus up to \$6,000 active duty pay earned in Oregon. **Note:** Your total subtraction cannot be more than your total taxable active duty pay income.

Guard and reserve annual training is considered active duty. However, weekend drills or training are not considered active duty. If you're in the Guard or Reserves and your Form W-2 does not show a separate amount for active duty, contact your paymaster. Download *Military Personnel Filing Information* from our website, or contact us to order it.

Example: Barry, an Oregon resident, enlisted in the Army in 1999. From January until August 2007, he was stationed at Fort Lewis, Washington. He earned \$24,000 active duty pay there. From August until the end of the year, he served in Oregon as a recruiter. He earned \$12,000 in Oregon. He can subtract the \$24,000 earned outside Oregon and \$6,000 earned in the state, for a total subtraction of \$30,000.

• **Oregon National Guard and reserve active duty pay subtraction [code 319].** The following questions will help determine if you can claim this subtraction.

- Were you a member of the Oregon National Guard or reserves at any time since January 2001?
- Did you serve on active duty in Oregon as a member of the Oregon National Guard or reserves?
- Were you away from home overnight for at least three weeks consecutively?
- Was your time away from home required to perform military service?

If you answered yes to all of these questions, you can subtract all of the Oregon National Guard or reserve active duty pay you earned while you served in Oregon and met all of the above qualifications. This subtraction is available for tax years starting on or after January 1, 2001. To claim this subtraction for tax years 2001–04, amend your prior-year returns before July 1, 2008. See *Oregon Amended Schedule* for time limits for other tax years.

If you're an enrolled member of a federally recognized American Indian tribe and a member of the U.S. Armed Forces who is stationed in Oregon, you may be eligible for an additional subtraction. For more information, please contact us.

• **Oregon Lottery [code 322].** Although Oregon does not tax Oregon Lottery winnings of \$600 or less per ticket, the federal government does. Oregon Lottery includes Powerball tickets you purchased in Oregon.

You can subtract the following winnings included in your federal income from Oregon income:

- Winnings of \$600 or less from each single ticket or play, and
- Annual payments from tickets bought before 1998.

Example 1: Cheryl had winnings of \$200 from an Oregon Lottery scratch-off ticket in 2007. This income is included in her federal adjusted gross income. Oregon does not tax Oregon Lottery winnings of \$600 or less per single ticket or play. Cheryl can subtract the \$200 she won on the scratch-off ticket.

Example 2: David won two prizes in 2007: \$1,000 from an Oregon Lottery scratch-off ticket and \$500 playing an Oregon Lottery Keno game. David must include this \$1,500 in his federal income, however, Oregon will not tax the \$500 he won playing Keno. He can subtract \$500 on his Oregon return because the winnings were from a single game and under the \$600 limit. He cannot subtract any of the \$1,000 he won on the scratch-off ticket, because the prize was more than \$600 and is fully taxable to Oregon.

Do **not** subtract any other type of winnings such as winnings from tribal gaming centers. If you have

gambling losses claimed as an itemized deduction, see page 26.

- **Tuition and fees deduction [code 308].** Did you claim a Hope or lifetime learning credit on your federal return? If so, you were not allowed a federal tuition and fees deduction because you claimed the federal credit. Because Oregon does not have credits similar to the Hope or lifetime learning credits, you can subtract the federal tuition and fees deduction on your Oregon return up to the amount you would have been allowed on your federal return. For 2007, the maximum amount you can claim is the lesser of \$4,000 or your actual expenses. If you were not allowed a deduction on your federal return because you are someone else's dependent, you cannot claim this subtraction.
- The following subtractions apply to only a few people and are not explained in this booklet. For more information, go to our website or contact us.
 - Artist's charitable contribution [code 301].
 - Basis adjustments [code 304].
 - Depreciation difference for Oregon.
 - Gain or loss on the sale of depreciable property with a different basis for federal and Oregon purposes.
 - Passive activity losses.
 - Capital Construction Fund (CCF) [code 339].
 - Claim of right income repayments [code 302].
 - Construction worker and logger commuting expenses [code 303].
 - Federal business credits [code 340].
 - Federal gain previously taxed by Oregon [code 306].
 - Fiduciary adjustments from Oregon estates and trusts [code 310].
 - Film production labor rebate [code 336].
 - Foreign tax [code 311].
 - Interest from local government bond [code 317].
 - IRA conversions or employee retirement plans (previously taxed) [code 327].
 - Land donation to educational institutions [code 316].
 - Mobile home park capital gain [code 338].
 - Mobile home tenant payment [code 344].
 - Mortgage interest credit [code 320].
 - Net operating loss [code 321].
 - Oregon investment advantage [code 342].
 - Partnership or S corporation modifications for Oregon [code 323].
 - Public Safety Memorial Fund award [code 329].
 - Railroad Retirement Board benefits: tier 2, wind-fall/vested dual, supplemental, and railroad unemployment benefits [code 330].
 - Scholarship awards used for housing expenses [code 333].

- TRICARE income, first and second year participation [code 343].
- U.S. government interest in IRA or Keogh distributions [code 331].

Deductions

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

- If you claim itemized deductions, fill in lines 21–25.
- If you claim the standard deduction, fill in line 26.

Note: If you're married filing separately and one spouse itemizes, both spouses must itemize deductions. If your spouse itemizes, your standard deduction is -0-.

21 Itemized deductions. You can claim your total itemized deductions after federal limitations as shown on federal Schedule A, line 29.

You can claim itemized deductions 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 for Oregon purposes. Be sure to include your state taxes even when itemizing for Oregon only, then subtract your Oregon state income tax on line 24. Use your federal adjusted gross income to figure the Schedule A limitations. Remember to keep Schedule A with your tax records.

22 Special Oregon medical deduction. Were you or your spouse **age 62 or older** on December 31, 2007? If so, enter the amount from federal Schedule A line 1 or line 3, whichever is less. To claim this deduction, you must itemize your deductions for Oregon.

24 State income tax or sales tax claimed as an itemized deduction. Fill in the amount of Oregon state income tax or any state and local sales tax you claimed as an itemized deduction on federal Schedule A, line 5. Don't include local or county **income tax** amounts.

Are you claiming an Oregon credit for income taxes paid to another state and deducting the other state's taxes on Schedule A? If so, include the other state's 2007 net tax liability, or the other state's 2007 tax claimed as an itemized deduction, whichever is less. For the credit instructions, see page 33.

Did you limit itemized deductions on your federal return because your adjusted gross income was more than \$156,400 (\$78,200 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. Download the publication *Itemized Deductions Limit* from our website or contact us to order it.

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

Single.....	\$1,825
Married filing jointly.....	3,650
Married filing separately	
If spouse claims standard deduction.....	1,825
If spouse claims itemized deductions.....	-0-
Head of household.....	2,940
Qualifying widow(er).....	3,650

Standard deduction—Age 65 or older, or blind. If you or your spouse are age 65 or older, or blind, you are entitled to a larger standard deduction amount. Use the chart below to determine your larger standard deduction.

1. Are you: 65 or older? Blind?
 If claiming spouse's exemption,
 is your spouse: 65 or older? Blind?

2.

If your filing status is...	And the number of boxes checked in step 1 is...	Then your standard deduction is...
Single	1	\$3,025
	2	4,225
Married filing jointly	1	4,650
	2	5,650
	3	6,650
Married filing separately	4	7,650
	1	2,825
	2	3,825
	3	4,825
Head of household	4	5,825
	1	4,140
Qualifying widow(er)	2	5,340
	1	4,650
	2	5,650

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

Standard deduction—Dependents. If someone else can claim you as a dependent, your standard deduction is limited to the larger of:

- Your earned income plus \$300, up to the maximum allowed for your filing status, or
- \$850.

The limit applies even if you qualify but are not claimed as a dependent on another person's return. See the standard deduction instructions for dependents on page 11.

Standard deduction—Nonresident aliens. The standard deduction for nonresident aliens (as defined by federal law) is -0-.

27 Total deductions. Enter the larger of line 25 or line 26.

Oregon tax

29 Tax from tax tables or tax rate charts. Figure the tax on your Oregon taxable income, line 28. Go to the tax tables or rate charts on pages 23–25. Fill in

your tax amount on line 29 and check box 29a. Please double-check that the tax you entered is correct.

Example 1: A single Oregon taxpayer has taxable income of \$19,500. The taxpayer will use column S on page 24. The tax is \$1,560.

Example 2: A married couple has Oregon taxable income of \$75,500. They are filing jointly. They will use the married filing jointly rate chart J on page 25. They figure their tax like this:

Oregon taxable income		\$75,500
Subtract	-	50,000
		25,500
Multiply by 9%	×	.09
		2,295
Then add	+	4,100
Their Oregon tax is		\$ 6,395

Tax from farm income averaging or farm asset capital gain method. If you qualify, you can compute your Oregon tax using one of the following methods:

Farm income averaging method. You can use the federal farm income averaging method even if you did not use farm income averaging on your federal return.

Use Form FIA-40, *Oregon Farm Income Averaging for Full-Year Residents*, to calculate tax on your farm income and other Oregon income. Download the form from our website or contact us to order it. Enter the tax amount from Form FIA-40, line 22, on Form 40, line 29. Check box 29b labeled "Form FIA-40." Attach a copy of Form FIA-40 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.

Use Worksheet FCG, *Farm Liquidation Long-Term Capital Gain Tax Rate*, to calculate tax on your net farm capital gain and other Oregon income. Download the worksheet from our website or contact us to order it. Enter the tax amount from Worksheet FCG, line 7, on Form 40, line 29. Check box 29c labeled "Worksheet FCG." Do not attach a copy of Worksheet FCG to your return. Keep a copy with your records.

30 Interest on certain installment sales. Do you have installment sales where 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 as the federal amount. The interest rate is 0.750

percent per month (9 percent per year) for 2007. For more information, please contact us.

Credits—Non-refundable

Most credits cannot be more than your Oregon tax liability. Some credits have a carryforward provision that allows you to use the unused balance in the next year. Use credits that cannot be carried forward first.

33 Exemption credit. Your exemption credit may be reduced if your federal adjusted gross income (Form 40, line 8) is more than the threshold for your filing status.

If the charts below apply to you, follow the instructions in the box. Otherwise, complete the exemption credit worksheet below.

If your filing status is...	and Form 40, line 8 is less than or equal to...
Single	\$156,400
Married filing joint or qualifying widow(er)	\$234,600
Married filing separately	\$117,300
Head of household	\$195,500
...multiply your total exemptions on line 6e by \$165. Enter the result on Form 40, line 33.	
Do not use the exemption credit worksheet	

If your filing status is...	and Form 40, line 8 is more than...
Single	\$238,900
Married filing joint or qualifying widow(er)	\$317,100
Married filing separately	\$158,550
Head of household	\$278,000
...multiply your total exemptions on line 6e by \$55. Enter the result on Form 40, line 33.	
Do not use the exemption credit worksheet	

Exemption credit worksheet:

- Enter the amount from Form 40, line 8. 1. _____
- Enter the amount shown below for your filing status. 2. _____
 - Single—\$156,400
 - Married filing jointly or qualifying widow(er)—\$234,600
 - Married filing separately—\$117,300
 - Head of household—\$195,500
- Line 1 minus line 2. 3. _____

- Divide line 3 by \$2,500 (\$1,250 if married filing separately). Round the result to the nearest whole number (for example, increase 0.0004 to 1). 4. _____
- Multiply line 4 by 2% (.02) and enter the result as a decimal. 5. _____
- Multiply the total number of exemptions claimed on line 6e of your Oregon return by \$165 and enter the result here. 6. _____
- Multiply the decimal on line 5 by line 6. 7. _____
- Exemption credit.** Line 6 minus line 7. Enter the result here and on Form 40, line 33. 8. _____

34 Retirement income credit. If you were age 62 or older on December 31, 2007, and receiving retirement income, you may qualify for a retirement income credit if:

- Your household income is less than \$22,500 (\$45,000 if married filing jointly), **and**
- Your Social Security benefits and/or tier 1 Railroad Retirement Board benefits are less than \$7,500 (\$15,000 if married filing jointly), **and**
- Your household income plus your Social Security and/or tier 1 Railroad Retirement Board benefits is less than \$22,500 (\$45,000 if married filing jointly).

Retirement income includes payments reported in Oregon taxable income from:

- U.S. government pensions (including 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.

- Enter the retirement income of the eligible individual(s) included on Form 40, line 8. 1. _____
- Enter any federal pension income subtracted from Oregon income on Form 40, line 17. See page 28. 2. _____
- Net Oregon taxable pension. Line 1 minus line 2. 3. _____
- Enter \$7,500 (\$15,000 if married filing jointly). 4. _____
- Enter both spouses' total 2007 Social Security and tier 1 Railroad Retirement Board benefits. 5. _____
- Line 4 minus line 5, but not less than -0-. 6. _____

7. Enter your household income (to determine, see below). 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 percent (.09). Enter the result here and on Form 40, line 34. 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.
- Your state income tax refund.
- Pension income excluded from federal AGI that is a return of your contributions.
- 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.

The credit cannot be more than your tax liability. You cannot carry any amount that is more than your tax liability over to next year. You may claim this credit or the credit for the elderly or the disabled, line 36, but not both.

35 Child and dependent care credit. You're allowed an Oregon credit **only** if you qualify for the federal child and dependent care credit. You may still be able to claim the Oregon credit even if you can't use all of your federal credit.

Use the following worksheet:

1. Enter the amount from federal Form 2441, line 6; or Form 1040A, Schedule 2, line 6. Do **not** enter more than \$3,000 for one qualifying child or \$6,000 for two or more qualifying children. 1. _____
2. Enter the decimal amount from the following table. 2. _____

If your federal taxable income from Form 1040, line 43; 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 by the decimal on line 2. Enter here and on Form 40, line 35. 3. _____

Did you pay 2006 child care expenses in 2007? If so, you may be able to use that amount to increase your 2007 Oregon child and dependent care credit. For more information, please contact us.

Carryforward. Your total 2007 child and dependent care credit can't be more than your 2007 Oregon tax liability. You can carry forward any excess credit over the next five years. If the excess isn't used within five years, it's lost. See other credits instructions, page 34.

36 Credit for the elderly or the disabled. The Oregon credit is 40 percent of your federal credit. You can claim an Oregon credit **only** if you qualify for the federal credit. Please complete federal Form 1040, Schedule R or federal Form 1040A, Schedule 3, even if you aren't using the federal credit.

Multiply the amount on federal Form 1040, Schedule R, line 20; or Form 1040A, Schedule 3, line 20, by .40 (40 percent).

You can claim this credit or the retirement income credit, line 34, but **not** both.

37 Political contribution credit. Fill in your total political contributions, up to \$100 on a joint return or up to \$50 on all others. Your contribution(s) of money must have been made during 2007 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.

Download the publication *Political Contributions Tax Credit* from our website or contact us to order it.

38 Credit for income taxes paid to another state. Did you pay income taxes to another state or U.S. territory on income that is also taxed by Oregon? If so, you may be able to claim this credit.

If you were a full-year Oregon resident and had income taxed by Arizona, California, Indiana, or Virginia, you cannot claim the credit on your Oregon return. However, you can claim the credit on the nonresident return you file with those states. If income is taxed by Oregon and another state not listed here, claim the credit on your Form 40 Oregon resident return, line 38. If you have only one credit for taxes paid to another state, enter the two-letter state abbreviation on Form 40, line 38y and the credit amount on Form 40, line 38.

If you are claiming the credit for more than one state, do not enter a state abbreviation on line 38y. Instead check box 38z and attach Schedule OR-A to your return identifying the states and the credit amount for each

state. Enter the total for all states from Schedule OR-A on Form 40, line 38.

This credit is only for state income tax. You cannot claim this credit for city or county income tax, sales tax, alternative minimum tax (AMT), property tax, school tax, or building funds.

Your credit is the smallest of the following:

- The other state's 2007 net tax liability.
- Your Oregon tax liability after all credits, except credits for income taxes paid to other states.
- The amount figured using the following formula:

Divide your modified adjusted gross income (MAGI) taxed by both states by your total MAGI. Multiply the result by your Oregon tax after subtracting all other credits.

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

Your total MAGI usually equals the sum of lines 8 and 9 minus lines 14–17 of Form 40. Add the amount on Form 40, line 10, only if it's income Oregon taxes but the federal government doesn't. Subtract the amount on Form 40, line 18, only if it's income the federal government taxes but Oregon doesn't.

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

- The other state's 2007 tax claimed as an itemized deduction, or
- The other state's 2007 net tax liability.

If the credit is based on a tax liability paid in two different tax years, you may be required to restore the deduction to Oregon income in two different tax years. For more information, please contact us.

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

39 Other credits. You may qualify for other non-refundable credits listed on pages 34–35. Please identify the credit using the numeric code. If you have only one "Other credit," enter the numeric code on line 39x and the amount on lines 39y and 39. For example, if you're claiming a \$45 residential energy credit, enter "729" on line 39x and "\$45" on lines 39y and 39. If you're claiming more than one "Other credit," do not enter a code or amount on line 39x or 39y. Instead, check box 39z and attach Schedule OR-A to your return with the numeric codes and amounts of the credits. Enter the total from Schedule OR-A on Form 40, line 39.

- **Biofuel consumer [code 744].** Do you use E85 or B99 fuel blends for your car? Do you heat your home with wood pellets or biodiesel that's at least B20? If so, you may be eligible for this credit. Your credit is 50 cents per

gallon of qualifying fuel blends, up to \$200 per vehicle. For wood pellets, your credit is \$10 per bone dry ton up to \$200 per taxpayer. If heating your home with qualifying biodiesel, your credit is five cents per gallon up to \$200. Contact the department for more information.

- **Child and dependent care carryforward [code 704].** Enter the amount of unused credit from a prior year. The prior year carryforward plus your current year's credit can't be more than your Oregon tax liability, line 41. You can carry forward any excess credit from line 35 over the next five years. If the carryforward isn't used within five years, it's lost.

- **Individual Development Account donation (IDA) [code 715].** If you made a charitable contribution to the Oregon Individual Development Account program during 2007, you may qualify for a credit. The credit is the smaller of \$75,000 or 75 percent of the donation made. It cannot be more than your 2007 Oregon tax liability. You can carry over any excess for the next three years. Any federal benefit due to a federal deduction must be reported as an Oregon addition. For more information, please contact us.

- **IDA withdrawal for home purchase [code 738].** Did you make a qualified withdrawal from your IDA to buy your home? If so, you can take a credit for your qualified withdrawal used to buy your home, up to \$2,000. Contact us for more information.

- **Long-term care insurance premiums [code 716].** You're allowed a long-term care insurance premiums credit if:
 - Your policy was issued in 2000 or later, and
 - You, your parents, or your dependents are the policy beneficiaries, and
 - You paid premiums for 2007.

The credit for single and joint filers is the **smaller** of 15 percent of the premiums paid or \$500. For married filing separate filers, the combined credits on the spouses' returns can't be more than the credit they would have been allowed on a joint return.

Any federal benefit due to a federal deduction for the premiums must be reported as an Oregon addition. See page 26.

Employers paying for long-term care insurance for employees may also claim this credit.

Download the publication *Long-Term Care Insurance Premiums Tax Credit* from our website or contact us.

- **Loss of use of limbs [code 717].** If you have a permanent and complete loss of the use of two limbs, you can take a \$50 tax credit. Your spouse can also claim a \$50 credit if he or she qualifies. You can't claim this credit for a dependent.

Get a disability certification form from your county public health officer the first year you file for the credit. The health officer must sign the form. Keep

the form with your permanent records. Do not attach it to your return.

You also qualify for an additional exemption for severely disabled persons. See page 9.

- **Oregon Cultural Trust [code 722].** If you donate to an Oregon nonprofit cultural organization during the tax year and you donate a matching amount to the Oregon Cultural Trust, you can claim a tax credit.

You can claim a tax credit of up to \$500 per taxpayer (\$1,000 on a joint return) for the amount you contributed to the Oregon Cultural Trust. Any federal benefit due to a federal deduction must be reported as an Oregon addition. For more information, please contact us. For more information about the Oregon Cultural Trust, go to www.culturaltrust.org.

- **Residential energy [code 729].** To qualify, you must purchase an energy efficient appliance or vehicle or install a solar device or ground loop system. Renters may qualify for this credit. For more information, go to the Oregon Department of Energy's website at www.oregon.gov/ENERGY, or call 503-378-4040 (Salem); or 1-800-221-8035 (toll-free from an Oregon prefix).
- The following credits apply to only a few people and are not explained in this booklet. For more information, go to our website or contact us.

- Adoption expenses carryforward [code 700].
- Advanced telecommunications facilities [code 701].
- Biomass production/collection [code 743].
- Business energy [code 703].
- Business tax credits from flow-through entity [code 736].
- Child Care Fund contributions [code 705].
- Claim of right income repayments [code 706].
- Crop donation [code 708].
- Diesel engine replacement, repower, or retrofit [code 734].
- Electronic commerce zone investment [code 710].
- Employer-provided dependent care assistance [code 707].
- Employer scholarship [code 711].
- Farmworker housing [code 712].
- First Break Program [code 713].
- Fish screening devices [code 714].
- Involuntary move of a mobile home, non-refundable (for mobile homes moved in 2006 only) [code 741].
- Low-income caregiver credit [code 718].
- Mutually taxed gain on the sale of residential property [code 720].
- On-farm processing machinery and equipment [code 721].
- Oregon Production Investment Fund [code 737].
- Pollution control facilities [code 724].
- Reforestation of underproductive forestlands [code 727].
- Reservation enterprise zone [code 728].
- Riparian land [code 735].

- Rural EMTs [code 742].
- Rural medical practitioners [code 731].
- University venture fund [code 739].
- Water transit vessel [code 740].

Tax payments and refundable credits

42 Oregon income tax withheld. Fill in the total Oregon tax withheld from your wages and other income shown on your Form(s) W-2, box 17 or on your Form(s) 1099. Don't use the FICA (Social Security) tax withheld. **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 Form(s) 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 your Oregon tax withheld, such as a copy of a final paycheck stub or a letter from your employer. If you file before February 1, 2008, we can accept only Form(s) W-2 or 1099 as proof.

If you have tax to pay this year, you may want to increase the amount your employer withholds from your 2008 wages for Oregon. Download the publication *Oregon Income Tax Withholding* from our website or contact us to order it.

43 Estimated tax payments for 2007. Fill in the total estimated tax payments you made before filing your Oregon return. These payments were due April 17, 2007; June 15, 2007; September 17, 2007; and January 15, 2008. Include any payments you made with your Oregon extension. Also include any refund you applied to your 2007 estimated tax. If the department adjusted your applied refund, be sure to use the adjusted amount. If you need to verify your estimated payment amounts, please contact us.

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

Use the following formula to figure your credit:

1. Enter your federal earned income credit from Form 1040, line 66a; Form 1040A, line 40a; or Form 1040EZ, line 8a. 1. _____
2. Multiply the amount on line 1 by 5 percent (.05). Enter the result here and on Form 40, line 44. 2. _____

If the credit is more than your tax liability, the difference will be refunded to you.

45 Working family child care credit (refundable). This credit is available to low-income working families with **qualifying** child care expenses for a

qualifying child under age 13 (or a child who qualifies for the additional exemption credit for a child with a disability). If the credit is more than your tax liability, the difference will be refunded to you. To see if you qualify, go to page 38.

46 Mobile home park closure credit (refundable). Enter the amount from Schedule MPC, line 5. Attach Schedule MPC to your return. For more information download the publication from our website, or contact us to order it.

Penalties and interest

50 Penalty and interest. Your tax is due by April 15, 2008. Your return is also due by April 15, 2008, unless you file for an extension.

Penalty. Include a penalty payment if you:

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

The late-payment penalty is 5 percent of the unpaid balance of your tax.

If you file more than three months after the due date or the extension due date, a 20 percent late-filing penalty will be added; that is, you will owe a total penalty of 25 percent of any tax not paid. To find out how to avoid a penalty, go to our website and view *Computing Interest on Penalties and Tax You Owe*.

Interest. If you're filing your return or paying your tax after April 15, 2008, 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 to May 15 is a full month and interest period.

The 2008 interest rate is 9 percent per year (0.750 percent per month).

Interest is figured daily for periods of less than a month. Here's how to figure daily interest:

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

If the tax isn't paid within 60 days from the date of our bill, the interest rate increases to 13 percent per year.

Note: Don't calculate interest if you file late and expect a refund. It may delay processing of your refund.

51 Interest on underpayment of estimated tax. For 2007, you'll have an underpayment if you paid less than 90 percent of the tax due on **each** estimated tax payment due date.

Use Form 10, *Underpayment of Oregon Estimated Tax*, to determine if you have an underpayment. Download the form from our website or contact us to order it. If you have an underpayment, you must file Oregon Form 10 with your return.

If you have an underpayment, fill in the amount of interest due from Form 10, line 34 on Form 40, line 51, and check the box. Attach Form 10 to your return. If you meet an exception, enter the exception number on line 51a and do not attach Form 10.

53 Amount you owe. You may pay with a check, money order, or credit card. If the amount is less than \$2, no payment is required.

Check or money order

- Make your check or money order payable to "**Oregon Department of Revenue.**"
- Write your daytime telephone number and "2007 Oregon Form 40" on your check.
- Please use blue or black ballpoint ink. Do not use red or purple ink or gel pens.
- Do not send cash or a postdated check.
- Staple your payment and the Form 40-V payment voucher (page 3) to your return on top of your Form(s) W-2 and 1099.

Credit card or checking or savings account payment options. See page 13.

Payment plan. If you cannot pay in full now, pay what you can. We will help you set up a payment plan for the amount you do not pay with your return. Contact us as soon as possible to reduce penalties and interest.

Special instructions. Do you owe interest on line 51 and have an overpayment on line 48? If the interest you owe is more than your overpayment, you have an amount due. Subtract line 48 from line 51 and enter the result on line 53.

Charitable donations. If you don't have a refund but want to contribute to a charity listed on page 13 or 14, mail your donation to the charity's address listed on our website. Please do not mail your donation to the Department of Revenue.

To finish your return, go to the signature block section on page 37.

54 Refund. You must have a refund on line 54 to use lines 55–72.

55 Estimated tax. If you have a refund, you may apply part or all of it to your 2008 Oregon estimated income tax. Fill in the amount you want to apply. Do not fill in more than the amount on line 54.

Charitable checkoffs

You can donate all or part of your refund to the charities listed on pages 13 and 14. Donations will reduce your refund. You can donate to any or all of the charities on Form 40, lines 56–67. You can also donate to two other charities on Form 40, line 68 or 69, see page 14. Or, you can mail your donations to the addresses listed on our website.

For a description of the charities, go to page 13.

71 Net refund. You must reduce your refund by any amounts applied to 2008 estimated tax (line 55) and donations on lines 56–69. **By law, we cannot issue a refund if you file your return more than three years after the return’s due date.**

Direct deposit

Form 40 72 **Form 40S 42** **Direct deposit.** Follow these instructions if you want us to deposit your refund directly into your bank account instead of mailing you a check:

1. **Contact your bank** to make sure your deposit will be accepted and to get your routing and account numbers.
2. **Check the appropriate box, either** checking or savings, but not both.
3. **Enter your nine-digit routing number.** The routing number must begin with 01 through 12, 21 through 32, or 61 through 72.
4. **Enter the number** of the account into which you want your refund deposited. The account number can be up to 17 characters (both numbers and letters). Do not include hyphens, spaces, or special symbols. Enter the number left to right and leave any unused boxes blank.

Signature block

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

Minor child’s return. If your child must file a tax return, you may sign the child’s name as his or her legal agent. Sign the child’s name and then write “By [your signature], parent (or other legal guardian) of minor child.”

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

- State Board of Tax Practitioners in Salem, 503-378-4034 for licensed tax consultants and licensed tax preparers, or go to www.oregon.gov/OTPB.
- State Board of Accountancy in Salem, 503-378-4181 for public accountants and certified public accountants, or go to www.oregon.gov/BOA.

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

Before you file

Should I put my return together in a certain order?

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

1. Start with Form 40 or Form 40S.
2. Staple Form(s) W-2 and any Form(s) 1099 showing Oregon tax withheld to the lower front of your Form 40 or Form 40S.
3. Staple your check or money order and completed Form 40-V payment voucher (page 3) on top of Form(s) W-2 and/or 1099. If you’re paying by credit card, do **not** use Form 40-V.
4. If applicable, place these items in the following order behind the Oregon form:
 - Schedule OR-A, *Oregon Adjustments for Form 40 Filers* (if needed).
 - *Oregon Amended Schedule* (if amending your return).
 - Copy (front and back) of your federal Form 1040, 1040A, 1040EZ, 1040NR, or 1040NR-EZ. If you’re amending and you’ve changed your federal return, attach a copy of your **corrected** federal return instead of the original. Form 40S filers: You do not need to attach your federal return unless the IRS is figuring your federal tax or you’re amending your Oregon return.
 - Schedule WFC, *Oregon Working Family Child Care Credit*. See page 41.
 - Form 10, *Underpayment of Oregon Estimated Tax*.
 - Proof required to claim credit for income taxes paid to another state. See page 33.
 - Form 24, *Oregon Like-Kind Exchanges/Involuntary Conversions*.
 - Form FIA-40, *Oregon Farm Income Averaging for Full-Year Residents*.
 - *Exempt Income Schedule for Enrolled Members of a Federally Recognized American Indian Tribe*.
 - Schedule MPC, *Mobile Home Park Closure*.
 - Statements for lines that need explanation.
5. Place one staple in the top left corner of your return and attachments.

Do not attach extension requests, or any federal schedules. Keep these with your records. We receive some federal information from the IRS. We may ask for copies of schedules or additional information later.

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

You have three years from the due date of the return to file a claim for refund. By law, we cannot issue a refund if you file your return more than three years after the return’s due date.

Can I make payments?

If you can’t pay in full now, we will help you set up a payment plan. **File** now and **pay** what you can. Write your daytime telephone number and “2007 Oregon

Form 40" or "2007 Oregon Form 40S" on your check or money order. Make sure you also use the payment voucher, Form 40-V, on page 3. You can also pay by credit card, see page 13. Contact the department **as soon as possible** to set up a payment plan. If you do not contact us, collection activity may begin.

To avoid processing delays, remember to:

Type or clearly print your name, Social Security number, date of birth, complete mailing address, and daytime telephone number on your return.

Double-check your math and other figures. The most common mistakes are math errors and the amount claimed for the federal tax subtraction. Please double-check your figures. People commonly use the wrong line or column on the tax tables.

Identify amounts on Form 40, lines 10, 18, and 39 as instructed.

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

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

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

Staple a copy of your federal return (front and back **only**) to your Form 40. Do **not** include federal schedules.

Staple Form 40-V, the payment voucher, with your check or money order to the front of your return. If you're paying by credit card, do **not** use Form 40-V.

Mail your return in a stamped envelope. Use a business envelope (4 × 9½ inches) or larger and be sure to use enough postage. Please do not use a smaller envelope—it delays processing.

Tax return mailing addresses

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

Working family child care credit

This refundable credit is available to low-income working families with qualifying child care expenses. To qualify, **all** of the following must be true:

- You had at least \$7,550 of earned income, and
- You had \$2,950 or less of investment income (such as interest, dividends, and capital gains), and
- Your adjusted gross income was less than the limits for your household size shown on the back of Schedule WFC, and
- You paid qualifying child care expenses to allow you (and your spouse, if married) to work or attend school at least part-time or you or your spouse are exempt from this requirement due to a qualifying disability (see page 39), and
- You paid qualifying child care expenses for your qualifying child. A qualifying child is your child, step child, grandchild, step grandchild, brother, sister, stepbrother, stepsister, nephew, niece, step nephew, step niece, or eligible foster child who:
 - can be claimed as a dependent on your federal return, or

- could have been claimed as a dependent on your return except, as the custodial parent, you released the exemption to the child's other parent under a decree of divorce or separate maintenance or written declaration such as federal Form 8332, and
- was under the age of 13 at the time the care was provided, or
- was a child who qualifies for the additional exemption credit for a child with a disability, and
- did not provide more than one-half of their own support during the year, and
- Your child care provider was not the child's parent or guardian, or your relative or step relative under age 19.

Note: If you're married filing separately, you must be legally separated or permanently living apart on December 31, 2007, to qualify.

If you qualify, complete Schedule WFC, *Oregon Working Family Child Care Credit*, on page 41. Attach this schedule to your return.

Schedule WFC instructions for residents

You must complete all information on the schedule. Failure to attach or attaching an incomplete schedule may result in delay or denial of your working family child care (WFC) credit. Your refund may take longer to process when claiming this credit.

Reminder: Special case Oregon residents and residents living abroad (including military) file as nonresidents on Form 40N.

Check the boxes

Attending school. Do you qualify for this credit because you (or your spouse) attend school at least part time? If so, check the box next to your name (or your spouse's name).

Form WFC-DP is attached. There are special rules for married taxpayers when one spouse is disabled. Generally, you and your spouse can only claim child care expenses for the WFC credit when both of you are working or attending school at least part time. There is now an exception to this requirement that expenses must be paid for both spouses to work or attend school. If one spouse has a qualifying disability that keeps them from working, attending school, and caring for themselves and the children, the child care expenses may qualify for this credit. Only one spouse can qualify for the exception. The other spouse must still work or attend school part time. The qualifications are not the same as the severely disabled exemption credit. This exception is available beginning with tax year 2007.

To use the exception, the disabled spouse must have a disability that prevents (or severely restricts) them from **all** of the following:

- Working;
- Going to school at least part time;
- Caring for the child(ren); and
- Performing an activity of daily living, including bathing, dressing, feeding, toileting, etc.

To claim the exception, the disabled taxpayer and their physician need to fill out Form WFC-DP stating that you or your spouse has a qualifying disability. Go to our website or contact us to get Form WFC-DP. This form must be attached each year that you (or your spouse) meet the exception. Once Form WFC-DP is filled out, check the box "Form WFC-DP is attached" on Schedule WFC next to your name (or your spouse's name). Remember to attach Form WFC-DP and keep a copy of the form with your tax records and with your doctor. We may contact your physician or request a copy of the form at a later date.

Household size calculation

Sched. WFC **1** - **5**

Generally, your household size is the number of people you claim as exemptions on your federal tax return who are related to you by blood, marriage, or adoption and live in your home. Household size can include your child of whom you have primary custody, even if you allowed the child's other parent to claim the exemption on their tax return. **Don't** include people you're entitled to claim on your tax return who didn't live with you in your home during 2007 or who aren't related to you. For the purposes of this credit, a person cannot be counted in the household size on more than one return. Enter your household size from Schedule WFC, line 5, on Form 40S, line 21a; or Form 40, line 45a.

Example 1: Rusty and Deb are not married and are the parents of two children. They maintain separate households and have joint custody of both children. The children live more than half the year with Deb. Even though the children are Deb's qualifying children, she releases the dependent exemption for one child to Rusty. Both Rusty and Deb may claim the credit based on the child care expenses they paid. However, each needs to calculate their household size separately.

Deb's household size is three (herself, one dependent child whose exemption she claims, and one dependent child whose exemption is released to Rusty). Deb will enter "2" on line 1 of Schedule WFC and "1" on line 2 for a total of "3" on line 5.

Rusty's household size is one (himself). Although he claims one child on his tax return, the child did not live with him more than one-half of the year and is not included in his household size. Rusty will enter "2" on line 1 of Schedule WFC and "1" on line 4 for a total of "1" on line 5.

Example 2: Jay and Rena have three qualifying children. They also support Rena's parents who do not live with them. They claim seven exemptions on their tax return. Jay and Rena's household size is five, because only five of them live in their home. They will enter "7" on line 1 of Schedule WFC and "2" on line 4 for a total of "5" on line 5.

Qualifying child care expenses paid in 2007

Sched. WFC **6** - **9**

Provider's full name and complete address. Enter the child care provider's information in the space provided on Schedule WFC. If you have

more than three providers, check box 9a and attach a separate sheet with the same information for the additional providers. Be sure to enter the total you paid to all providers on Schedule WFC, line 9.

Provider's SSN or FEIN. You must include your provider's Social Security number, federal employer identification number (FEIN), or individual taxpayer identification number (ITIN).

Provider's telephone number. Enter a daytime telephone number for the provider. Important: We need a current telephone number to contact the provider. Without this, the processing of your refund may be delayed.

Child to provider relationship. Identify the relationship of the child to the provider using the relationship codes on page 43. If there is no relationship between the child and the provider, enter "N" for "none."

Amount paid to provider. Qualifying child care expenses are those paid for your qualifying child for the primary purpose for you to work or attend school. If married, both spouses must be working or attending school for the expenses to qualify. Only one spouse must be working or attending school if the other spouse qualifies for the exception due to a disability explained on page 39. You can claim this credit even if you pay your expenses with pre-tax dollars from an employer benefit plan such as a cafeteria plan or flexible spending arrangement. You must pay for the child care during 2007 for the payments to be qualifying child care expenses.

Qualifying child care expenses do **not** include amounts you paid for your child to attend or participate in:

- Public or private school;
- After-school activities;
- Sports;
- Overnight camps; or
- Boarding school.

You cannot claim expenses that are paid by someone else such as a state assistance agency or a family member.

You can claim only the expenses you actually paid during the year.

Example 3: Jeff works for a company that offers dependent care benefits. He contributes \$4,000 pre-tax each year to a flexible spending arrangement (FSA) plan. Jeff's employer reports the \$4,000 of dependent care benefits in box 10 of his W-2. Jeff also paid \$1,000 with after-tax dollars. Jeff may claim the working family child care credit based on \$5,000 in qualifying child care expenses.

Example 4: Lee has a five-year-old qualifying child who attends a local academy. He pays \$750 per month for his child's kindergarten and child care. Of that total, \$500 is the contract price for child care, and \$250 is for the child's education. Lee can only claim \$500 per

month as qualifying child care. Lee's child attended the academy for four months during the year. The total amount of \$2,000 will be entered on line 6.

Example 5: Cate qualifies for state assistance to pay her child care expenses. The child care provider charges Cate \$600 per month to care for her two qualifying children. Of the \$600 per month, the state pays \$450, and Cate has a co-pay of \$150. Cate can only claim the amount she actually paid (\$150 per month). She will enter \$1,800 on line 6 of the schedule ($\$150 \times 12$ months). She will not include the non-qualifying expenses paid by the state.

Example 6: Angie and Zach are married and have three children. Angie works full time and Zach does not work or attend school and is receiving disability for headaches. Zach does not need assistance with any of the activities of daily living. Zach's disability does not qualify for the exception. Angie and Zach cannot claim this credit for their child care expenses because both spouses are not working or attending school and neither qualifies for the disability exception.

Example 7: Mason and Barbara are married and have two children. Mason works full time. Barbara is unable to work because of a brain tumor. Barbara has a home care worker come to their home daily because she is unable to care for herself while Mason is away at work. Mason and Barbara pay \$750 a month for child care and \$800 a month for care for Barbara. Barbara and her doctor completed Form WFC-DP showing that Barbara has a qualifying disability. Mason and Barbara can claim this credit for the \$750 a month they paid for child care. The amount paid for Barbara's care does not qualify for this credit.

Example 8: Jen and George are married and have two children. Jen and George both work full time. Jen's relative, Michelle, lives with them. Jen and George pay Michelle \$500 a month in cash to watch their children while they work. Jen and George do not have proof that they paid Michelle and Michelle is not paying rent to live at their home. Because the payments were made in cash to a relative and there is no proof that they paid Michelle for child care, Jen and George cannot claim this credit.

Example 9: Cassie has two children and works full time. Cassie's aunt and uncle, Hildi and Mike, live in the same town and watch her children while Cassie works. They do not take care of any other children. Cassie pays Mike and Hildi \$400 a month in cash. Cassie does not have further proof other than the receipts written by Hildi that she received \$400 in cash at the beginning of each month. Mike and Hildi do not report this income on their tax return. Cassie cannot claim this credit because she has no proof that she made the payments.

Example 10: Cameron and Sarah are married and have two children. Cameron and Sarah both work full time.

Schedule WFC

For Oregon forms, please visit our website at

www.oregon.gov/DOR

and click on "Tax Forms"

Working Family Child Care Credit—2007 Tables

Table 1, household size = 1		
If the amount on Schedule WFC, line 15 is:		Enter this decimal amount on Schedule WFC, line 17:
at least:	but not more than:	
—	\$20,400	.40
20,401	21,450	.36
21,451	22,450	.32
22,451	23,500	.24
23,501	24,500	.16
24,501	25,550	.08
25,551	—	.00

Table 2, household size = 2		
If the amount on Schedule WFC, line 15 is:		Enter this decimal amount on Schedule WFC, line 17:
at least:	but not more than:	
—	\$27,400	.40
27,401	28,750	.36
28,751	30,100	.32
30,101	31,500	.24
31,501	32,850	.16
32,851	34,250	.08
34,251	—	.00

Table 3, household size = 3		
If the amount on Schedule WFC, line 15 is:		Enter this decimal amount on Schedule WFC, line 17:
at least:	but not more than:	
—	\$34,350	.40
34,351	36,050	.36
36,051	37,750	.32
37,751	39,500	.24
39,501	41,200	.16
41,201	42,950	.08
42,951	—	.00

Table 4, household size = 4		
If the amount on Schedule WFC, line 15 is:		Enter this decimal amount on Schedule WFC, line 17:
at least:	but not more than:	
—	\$41,300	.40
41,301	43,350	.36
43,351	45,450	.32
45,451	47,500	.24
47,501	49,550	.16
49,551	51,650	.08
51,651	—	.00

Table 5, household size = 5		
If the amount on Schedule WFC, line 15 is:		Enter this decimal amount on Schedule WFC, line 17:
at least:	but not more than:	
—	\$48,250	.40
48,251	50,650	.36
50,651	53,100	.32
53,101	55,500	.24
55,501	57,900	.16
57,901	60,350	.08
60,351	—	.00

Table 6, household size = 6		
If the amount on Schedule WFC, line 15 is:		Enter this decimal amount on Schedule WFC, line 17:
at least:	but not more than:	
—	\$55,200	.40
55,201	58,000	.36
58,001	60,750	.32
60,751	63,500	.24
63,501	66,250	.16
66,251	69,050	.08
69,051	—	.00

Table 7, household size = 7		
If the amount on Schedule WFC, line 15 is:		Enter this decimal amount on Schedule WFC, line 17:
at least:	but not more than:	
—	\$62,200	.40
62,201	65,300	.36
65,301	68,400	.32
68,401	71,500	.24
71,501	74,600	.16
74,601	77,750	.08
77,751	—	.00

Table 8, household size = 8*		
If the amount on Schedule WFC, line 15 is:		Enter this decimal amount on Schedule WFC, line 17:
at least:	but not more than:	
—	\$69,150	.40
69,151	72,600	.36
72,601	76,050	.32
76,051	79,500	.24
79,501	82,950	.16
82,951	86,450	.08
86,451	—	.00

* If your household size is more than eight, contact the department for the tables you need.

Cameron’s relative, Hailey, lives nearby and watches their children. Hailey also takes care of other children in her home. Cameron and Sarah pay Hailey \$750 a month by check and receive receipts from Hailey at the time of payment. Hailey claims all child care income on her tax return. Cameron and Sarah can claim this credit because they have proof of payment (cancelled checks).

Example 11: Abby has two children and works full time. Abby’s friend, Tonya, is Abby’s child care provider. Abby pays Tonya \$500 a month in cash. During the processing of her tax return, Abby was asked for proof that she paid Tonya. She did not provide receipts or other proof of payment. Abby’s credit was denied. Abby filed a written objection and provided receipts Tonya filled out after Abby’s credit was denied. Abby cannot claim the credit because the receipts were not provided to her at the time of payment and she has no other proof that she paid Tonya.

Example 12: Candice and Justin are married and have a child. Candice works full time and Justin volunteers 20 hours a week at the local shelter. Candice and Justin pay a daycare center \$400 a month to watch their child. Candice and Justin cannot claim the credit because Justin is not working or going to school and does not have a qualifying disability.

Proof of qualifying child care expenses. You must be able to prove that **you** paid the child care expenses to claim this credit. Acceptable proof **may** include, **but is not** limited to, copies of:

- Cancelled checks or money order stubs,
- Duplicate checks along with bank statements, and/or
- **Signed** receipts from the child care provider received **at the time of payment**. Receipts must include:
 - The child’s full name.
 - Dates of care.
 - Date and amount of child care paid.
 - Name of person or agency paying.
 - Provider’s name, address, and telephone number.
 - Provider’s identification number (SSN/FEIN).
 - The method of payment (check, money order, cash, etc.).

If you have more than one child, be sure the information is separately listed for each child.

Important: We may ask for proof or additional information when your tax return is being processed or at

a later time. If you pay a relative to care for your children, you may be asked to provide additional information that shows you actually paid qualifying child care expenses. *Be sure to ask for a signed receipt from your child care provider each time you pay for child care.*

Qualifying child information

Sched. WFC 10–14 Enter the full name of each qualifying child, the child’s Social Security number or ITIN, the child’s date of birth, and the child’s relationship to you using the codes shown below.

Enter the portion of expenses you listed in the child care provider section that apply to each child. The amounts shown on line 9 and line 14 should always be the same. If you have more than four qualifying children, check box 14a and attach a separate sheet with the same information for the additional children. Be sure to enter the total qualifying child care expenses you paid for all children on Schedule WFC, line 14.

Example 13: Bill paid two child care providers \$5,000 during the year for his two qualifying children, Joe and Lane. Of the \$5,000 he paid, \$3,000 was for Joe’s care and \$2,000 was for Lane’s care. He will enter those amounts next to each child’s information.

Computation of credit

Sched. WFC 15 You must know your federal adjusted gross income (AGI) to compute this credit. Enter your federal AGI (Oregon Form 40 or 40S, line 8) on Schedule WFC, line 15.

Sched. WFC 16 Enter the total qualifying expenses from Schedule WFC, line 9, on Schedule WFC, line 16. Also enter this amount on Form 40S, line 21b, or Form 40, line 45b.

Sched. WFC 17 Use the table on the back of Schedule WFC (page 42) that matches your household size, line 5.

For example, if your household size is three, use Table 3 to find the percentage you need to apply to your qualifying expenses. Enter that percentage on Schedule WFC, line 17.

Schedule WFC Relationship Codes

Son..... S
 Daughter..... D
 Stepson SS
 Stepdaughter..... SD
 Grandchild..... GC
 Niece NC
 Nephew NW
 Sister/Brother SB

Eligible foster child..... EF
 Aunt A
 Uncle U
 Cousin..... CS
 Sister-in-law SL
 Brother-in-law..... BL
 Other relative..... O
 None..... N

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 website, order by telephone, or mail the form below.



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

Forms and instructions

- Forms 40S & 40, *Full-Year Resident* 150-101-043
- Forms 40P & 40N, *Part-Year & Nonresident* 150-101-045
- Form 40-EXT, *Oregon Automatic Extension and Payment Voucher* 150-101-165
- Estimated Income Tax Payment Instructions and Vouchers* 150-101-026/-2
- Schedule OR-A, *Oregon Adjustments for Form 40 Filers* 150-101-063
- Schedule OR-A-N/P, *Oregon Adjustments for Forms 40N and 40P Filers* 150-101-064
- Form 10, *Underpayment of Oregon Estimated Tax* 150-101-031
- Oregon Amended Schedule 150-101-061
- 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, FIA-40P, and Schedule Z, *Oregon Farm Income Averaging for Nonresidents and Part-Year Residents* 150-101-161

Publications

- 2-D Barcode Filing for Oregon* 150-101-631
- Audits: What To Do if You Are Audited* 150-101-607
- Computing Interest and Penalties on Tax You Owe* 150-800-691
- Credit for Income Taxes Paid to Another State* 150-101-646
- Divorce and Taxes* 150-101-629
- Electronic Filing for Oregon* 150-101-630
- Estimated Income Tax* 150-101-648
- Interstate Transportation Wages (Amtrak Act)* 150-101-601
- Itemized Deductions Limit* 150-101-611
- Married Persons Filing Separate Returns* 150-101-656
- Military Personnel Filing Information* 150-101-657
- Record-Keeping Requirements* 150-101-608
- Retirement Income* 150-101-673
- Working Family Child Care Credit for Parents* 150-101-462
- 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 _____

Your tax return is due on April 15, 2008

Internet

www.oregon.gov/DOR

Check your refund at www.oregonrefund.com



- Download forms and publications
- Get up-to-date tax information
- E-mail: questions.dor@state.or.us

This e-mail address is not secure. Do not send any personal information. General questions only.

Questions?

Write

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 area or outside Oregon 503-378-4988
Toll-free from an Oregon prefix 1-800-356-4222

Call one of the numbers above to:

- Check on the status of your 2007 personal income tax refund.
- Order tax forms.
- Hear recorded tax information.
- Speak with a representative.



Monday through Friday 7:30 a.m.–5:00 p.m.
Closed Thursdays from 9:00 a.m.–11:00 a.m. Closed on holidays.

Extended hours during tax season (wait times may vary):

April 1–April 15, Monday–Friday 7:00 a.m.–7:00 p.m.
 Saturday, April 12 9:00 a.m.–3:00 p.m.

Asistencia en español:

En Salem o fuera de Oregon 503-378-4988
 Gratis de prefijo de Oregon 1-800-356-4222

TTY (hearing or speech impaired; machine only):

Salem area or outside Oregon 503-945-8617
 Toll-free from an Oregon prefix 1-800-886-7204

Americans with Disabilities Act (ADA): Call one of the help numbers for information in alternative formats.

Field offices

Visit a field office to get forms and assistance. **Do not 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
- Lake Oswego** 6405 SW Rosewood Street, Suite A
- Medford** 3613 Aviation Way, Suite 102
- Newport** 119 NE 4th Street, Suite 4
- North Bend** 3030 Broadway
- Pendleton** 700 SE Emigrant, Suite 310
- Portland** 800 NE Oregon Street, Suite 505
- Salem** Revenue Building, 955 Center Street NE, Room 135
- Salem** 4275 Commercial Street SE, Suite 180

