

Section 2: Summary of Oregon Personal Income Tax Law for 1997

Starting with tax returns for 1997, Oregon personal income tax law is permanently tied to federal law. Oregon law automatically connects to any changes made in federal provisions that affect the calculation of adjusted gross income, and most items are treated the same way on Oregon and federal returns.

The chart on the following page outlines the steps in computing Oregon tax liability. The table at the bottom of this page contains the 1997 tax rates for single and married filing separately, and for joint and head of household returns. Beginning in 1993, tax brackets were indexed for inflation, using the United States Consumer Price Index (CPI) as the gauge of inflation.

Full-year Residents

For full-year residents, Oregon adjusted gross income is identical to federal AGI. Oregon taxable income is computed from AGI as follows.

1. Additions to Oregon AGI
 - a. Interest on government bonds of other states.
 - b. Other additions.
2. Subtractions from Oregon AGI
 - a. Federal income taxes (limited to \$3,000, \$1,500 if married filing separately).
 - b. Federally taxable Social Security income included on federal Form 1040.
 - c. Oregon income tax refund included in AGI.
 - d. Interest on U. S. bonds.
 - e. Oregon deferral of reinvested gain.
 - f. Other subtractions.
3. Subtract either the appropriate standard deduction or

itemized deductions. Oregon itemized deductions equal federal itemized deductions, plus the special Oregon medical deduction if over the age threshold (age 61 for 1997 taxes), minus the amount of state income tax included as an itemized deduction on the federal return.

Standard deductions for 1997 are:

Joint	\$3,000
Head of household	2,640
Single	1,800
Married filing separately	1,500

Additional standard deductions for persons age 65 or older or blind are:

Single or head of household	\$1,200
Joint returns or married filing separately	\$1,000

To determine Oregon tax before credits for full-year residents, multiply the taxable balance by the tax rates from the 1997 tax rate chart below, or use the tables in the tax booklet.

Part-year Residents and Non-residents

For part-year residents, tax rates are applied to the sum of Oregon and non-Oregon income, and the resulting tax is apportioned based on the ratio of Oregon income to federal income. For non-residents, federal tax and standard or itemized deductions are prorated based on the ratio of Oregon

1997 Tax rate Charts

Tax rate chart A:

For persons filing Single, or Married Filing Separately

If your taxable income is:

Not over \$2,250	Your tax is: 5% of taxable income
Over \$2,250 but not over \$5,700.....	\$113 plus 7% of excess over \$2,250
Over \$5,700.....	\$354 plus 9% of excess over \$5,700

Tax rate chart B:

For persons filing Jointly, Head of Household, or Qualifying Widow(er) with dependent child

If your taxable income is:

Not over \$4,500	Your tax is: 5% of taxable income
Over \$4,500 but not over \$11,400.....	\$225 plus 7% of excess over \$4,500
Over \$11,400.....	\$708 plus 9% of excess over \$11,400

COMPONENTS OF OREGON PERSONAL INCOME TAX 1997

INCOME FROM ALL SOURCES

MINUS

EXEMPT INCOME

Nontaxable Social Security and Railroad Retirement • Insurance Proceeds • Gifts and Bequests
• Welfare Payments • IRA and Keogh Interest Earnings • Interest on Government Obligations
• Scholarships (used for tuition)

EQUALS

GROSS INCOME

Salaries and Wages • Interest • Dividends • State Income Tax Refunds • Alimony Received
• Business • Farm • Capital and Other Gain or Loss • Rents • Royalties • Partnership Income or Loss
• Estates and Trusts • Subchapter S Distributions • Unemployment Compensation • Taxable Social
Security Annuities and Retirement Plan Distributions • Other Income

MINUS

ADJUSTMENTS TO INCOME

IRA, Keogh, and SEP Contributions • Medical Savings Accounts • Self-Employed Health Insurance Deduction
Forfeited Interest • Moving Expenses • Alimony Paid • One-half of Self-Employment Tax

EQUALS

FEDERAL ADJUSTED GROSS INCOME

MINUS

FEDERAL INCOME EXEMPT FROM STATE TAX

Oregon Income Tax Refunds • Social Security Benefits • Federal Income Tax
• Oregon Deferral of Reinvested Gain • U.S. Bond Interest • Other Subtractions

PLUS

STATE INCOME EXEMPT FROM FEDERAL TAX

Interest on State and Municipal Bonds of Other States • Other Additions

MINUS

DEDUCTIONS

Oregon Standard Deduction or
Federal Itemized Deductions minus State Income Taxes Itemized plus Special Medical Deductions

EQUALS

OREGON TAXABLE INCOME

MULTIPLIED BY

TAX RATES

PLUS

INTEREST ON CERTAIN INSTALLMENT SALES

EQUALS

TAX BEFORE CREDITS

MINUS

TAX CREDITS

Exemption • Earned Income • Working Family • Child and Dependent Care • Political Contribution
Elderly or Permanently Disabled • Credit for Income Tax Paid to Other States • Retirement Income • Other Credits

EQUALS

TOTAL TAX LIABILITY

income to federal income, and the tax rates applied to income from Oregon sources. Some Oregon credits, such as the exemption credit, child and dependent care credit, and credit for the elderly or the disabled, are prorated for part-year residents and non-residents.

Credits for Tax Year 1997

For tax year 1997, the following credits were allowed:

- Exemption Credit (\$128 per exemption).
- Earned Income Credit (new in 1997).
- Working Family Credit (new in 1997).

- Retirement Income Credit (minimum age 61 for 1997 taxes).
- Credit for the Elderly and the Permanently and Totally Disabled.
- Child and Dependent Care Credit.
- Credit for Income Tax Paid to Another State.
- Political Contribution Credit.
- Other credits.

Please see Oregon Department of Revenue's *Publication 17½, Oregon Individual Income Tax Guide*, 1997 Edition, for additional information.