

Interest and dividends on U.S. bonds and notes



December 2007

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Did you include any interest or dividends from U.S. bonds and notes in your federal income? If so, you may subtract this income on your Oregon return. Common examples of U.S. government interest include savings bond and Treasury bill interest.

You may also subtract U.S. government interest (called state exempt-interest dividends) from regulated investment companies and pools of assets managed by a fiduciary. These include, but are not limited to, banks, savings associations, or credit unions. To qualify, the regulated investment company or pool of assets must invest in U.S. government securities. **These securities must be tax-exempt for Oregon.** The subtraction is limited to your share of the amount of interest actually earned from the qualifying U.S. government securities. See the list below.

You cannot subtract amounts when the U.S. government only guarantees the security. If you receive distributions from a retirement plan, you may not subtract pension income received from funds invested in U.S. government securities.

Part-year residents and nonresidents. You may claim the subtraction only for interest and dividends you included as income taxable by Oregon.

Any gain recognized for federal tax purposes on the sale of U.S. bonds and notes is also taxable by Oregon.

If you claim related expenses

Special treatment is required if you claim expenses connected with U.S. bonds and notes as an itemized deduction. The expenses include interest on money borrowed to buy the bonds and notes. They also include expenses incurred in the production of income from the bonds and notes. Because Oregon does not tax the income from these bonds and notes, it doesn't allow a deduction for the expenses. You must reduce your subtraction by the amount of the expenses you deducted on your federal return.

Example: Charles earned \$620 of interest income from his Series EE bonds. He had borrowed \$6,000 to buy the bonds. During the year he paid \$200 interest on the loan. He included the \$200 interest expense as

an itemized deduction on his Schedule A. His Oregon subtraction will be \$420.

Series EE bond interest received	\$620
Interest expense connected with bonds and deducted on Schedule A	<u>-200</u>
Oregon subtraction	<u>\$420</u>

Below is a detailed list of bonds and notes that may or may not qualify for this subtraction. For a list of obligations that are exempt from both state and federal taxation, see page 50.

QUALIFIES BOND/NOTE

Yes	Banks for Cooperatives District of Columbia
Yes	Commodity Credit Corporation
No*	Export-Import Bank
No	Farmers Home Administration
Yes	Federal Deposit Insurance Corporation
Yes	Federal Farm Credit Bank
Yes	Federal Financing Bank
No	Federal Home Loan Mortgage Corporation (Freddie Mac)
Yes	Federal Home Loan Bank
Yes	Federal Intermediate Credit Bank
Yes	Federal Land Bank and Federal Land Bank Association
No	Federal National Mortgage Association (Fannie Mae)
Yes	Federal Savings and Loan Insurance Corporation
No	Federal tax refunds
Yes	Financing Corporation (FICO)
Yes	General Insurance Fund
No*	Government National Mortgage Association (Ginnie Mae)

Yes Government Services Administration (GSA Public Building Trust Participation Certificate)

No International Bank for Reconstruction and Development

Yes Production Credit Association (PCA)

Yes Resolution Funding Corporation (REF-CO)

No Repurchase agreements (Repos)

Yes Series EE, HH, and I Bonds

No* Small Business Administration

Yes Student Loan Marketing Association (Sallie Mae)

Yes Tennessee Valley Authority

Yes Treasury bills and notes—interest

No Treasury bills and notes—gain on sale

No U.S. Merchant Marine bonds

Yes U.S. Postal Service bonds

No* Washington (D.C.) Metropolitan Transit Authority

Yes Zero coupon obligations of the U.S. (for example, “CATs,” “STRIPS,” “TIGRs,” etc.)

** If the creditor has defaulted and the U.S. government/Export-Import Bank is paying the interest, it is nontaxable.*

Taxpayer assistance

General tax information www.oregon.gov/DOR
 Salem 503-378-4988
 Toll-free from an Oregon prefix 1-800-356-4222

Asistencia en español:
 Salem 503-378-4988
 Gratis de prefijo de Oregon 1-800-356-4222

TTY (hearing or speech impaired; machine only):
 Salem 503-945-8617
 Toll-free from an Oregon prefix 1-800-886-7204

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