Clear Form

FCG — FARM LIQUIDATION LONG-TERM CAPITAL GAIN TAX RATE — 2004

ORS 316.045

A reduced tax rate is available if you sold or exchanged capital assets used in farming activities. The sale or exchange must represent a substantially complete termination of a farming business you own.

Farming activities include:

- Raising, harvesting, and selling crops.
- Feeding, breeding, managing, or selling livestock, poultry, fur-bearing animals, or honeybees or the produce thereof.
- Dairying and selling dairy products.
- Stabling or training horses, including providing riding lessons, training clinics, and schooling shows.
- Propagating, cultivating, maintaining, or harvesting aquatic species, birds, and other animal species.
- Growing and harvesting cultured Christmas trees or certain hardwood timber.
- On-site constructing and maintaining equipment and facilities used in farming activities.
- Preparing, storing, or disposing of products or by-products raised for human or animal use on land employed in farming activities.
- Any other agricultural activity, horticultural activity, animal husbandry, or any combination of these three.

Farming activities do not include growing and harvesting trees of a marketable species other than growing and harvesting cultured Christmas trees or certain hardwood timber.

You may not claim the special tax rate on a sale or exchange to a relative, as defined under Internal Revenue Code Section 267. A farm dwelling or farm homesite is not considered to be property used in the trade or business of farming.

Partnerships or S corporations. The sale of ownership interests in a farming corporation, partnership, or other entity qualify for the special tax rate. The taxpayer must have had at least a 10 percent ownership interest in the entity before the sale or exchange.

Worksheet FCG, Farm Capital Gain

Follow the steps in the worksheet below to determine your qualifying farm assets' net long-term capital gain (NLTCG). If you have a net loss from the sale or exchange from **all** assets during the year, you will not qualify for the reduced rate on the sale of farm assets.

The NLTCG eligible for the special tax rate is computed as follows:

A. Enter your NLTCG from farm assets .... A

B. Enter the gain included in Form 40, line 8 (this is the gain shown on federal Form 1040, line 13); or from the Oregon column of Form 40N or Form 40P, line 14 .... B

C. Enter the smaller of A or B here and on line 2 below C

1. Oregon taxable income from Form 40, line 28; Form 40P, line 49; or Form 40N, line 50 1
2. Farm NLTCG from line C above 2
3. Modified taxable income. Subtract line 2 from line 1(but not less than zero) 3
4. Oregon tax on the amount on line 3. See tables or tax rate charts in the full year resident or part-year/nonresident income tax booklets 4
5. Enter the smaller of line 1 or 2 above 5
6. Multiply line 5 by 5% (.05) 6
7. Add lines 4 and 6. Enter the result here and on your Oregon return. Check the box on your Oregon return labeled "Worksheet FCG" 7

8. **Form 40P filers only.** Compute your Oregon income tax by multiplying line 7 by your Oregon percentage. Enter the result here and on your Form 40P. Check the box on your Form 40P labeled "Worksheet FCG" 8

Do not attach this form to your return. Keep it with your tax records.