

2006

OREGON

Full-Year Resident

Forms 40, 40S, and instructions;
Schedule WFC and instructions

Wallowa County near Imnaha

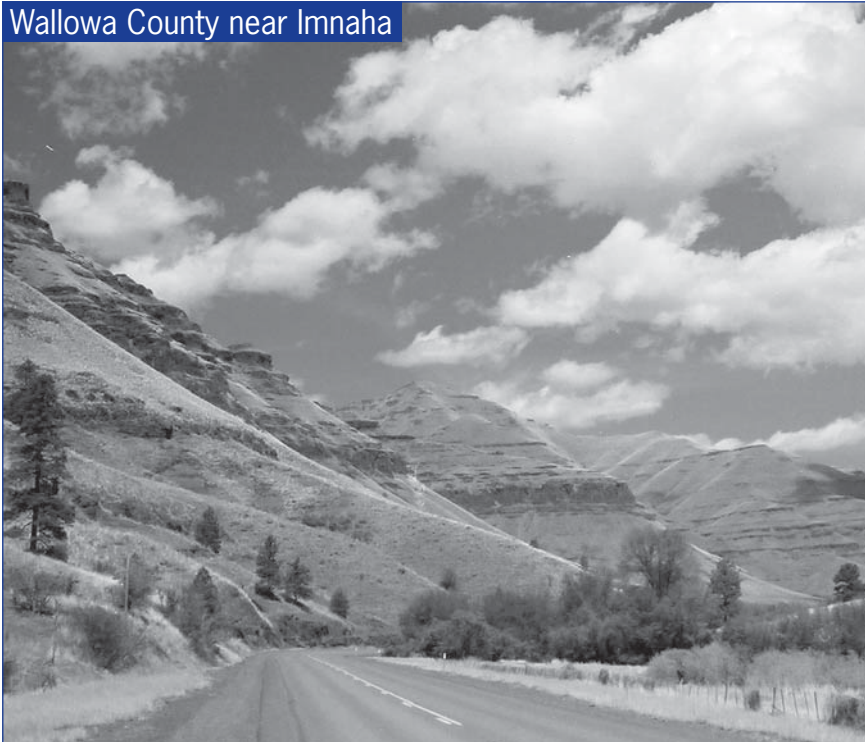


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Department of Revenue Mission

We make tax systems work to fund the public services that preserve and enhance the quality of life for all citizens.



Oregon Department of Revenue
955 Center Street NE
Salem OR 97301-2555

Services Paid for with Oregon Income Taxes

Education	55%
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K-12 System, Community Colleges, Higher Education

Human Services	23%
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Child Protective Services, Medicaid, Senior Services

Public Safety	17%
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Police, Department of Justice, Corrections Facilities

Other Services	5%
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Forestry Services, Agriculture, Public Transportation, Libraries

Percentages are projected for the 2005-07 biennium

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Oregon Department of Revenue

Do I need to file?

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	\$4,890
	65 or over	\$6,090
Married, joint return	Both under 65	\$9,800
	One 65 or over	\$10,800
Married, separate return	Both 65 or over	\$11,800
	Under 65	\$4,890
Head of household	65 or over	\$5,890
	Under 65	\$6,145
Qualifying widow(er)	65 or over	\$7,345
	Under 65	\$6,865
	65 or over	\$7,865

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.

These instructions are not a complete statement of laws and Oregon Department of Revenue rules. You may need more information. See page 40.

Electronic filing

Electronic filing (e-file) is a fast, efficient, and accurate way to file.



Download the publication *Electronic Filing for Oregon* from our website, or to order it, see page 40.

New information

Federal tax liability subtraction. The federal tax subtraction limit has increased to \$5,000 (\$2,500 married filing separately). See page 9 or 25.

Standard deduction amounts. The standard deduction amounts have changed. See page 28 or the back of Form 40S.

Federal law changes. Tuition and fees deduction, educator expenses deduction, and sales tax deduction expired at the time this publication was printed, November 1, 2006. There are no changes to the Oregon return for these items unless Congress reinstates these laws.

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Oregon Military Emergency Financial Assistance Program. This is a new charitable checkoff. See page 12.

Oregon earned income credit (EIC). This credit is based on your federal EIC and is now refundable. If the credit is more than your tax liability, the difference will be refunded to you. See page 10 or 33 to see if you qualify.

New credits. Involuntary move of a mobile home. This credit is available for tax years 2006 and 2007. Download *Involuntary Move of a Mobile Home* and *Schedule MH* from our website or contact us to order them. **Rural Emergency Medical Technician (EMT)** is a new credit, see page 32. **University venture fund** is also new this year. For more information, go to our website or contact us.

Important reminders

Credit card payments. The department accepts credit card payments for 2006 current year taxes, 2007 estimated taxes, and any prior year tax balances due. See page 11.

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 responsible if your bank rejects your deposit. If it does, we will issue a paper check. See page 34.

Direct debit not available. Oregon does not allow electronic funds withdrawal (direct debit) from your checking or savings account to pay your Oregon tax. This option is available through the Internal Revenue Service to pay federal tax, but not for Oregon tax. If you have any questions please call us.

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 25.*

Filing extension. Use Form 40-EXT to get an automatic six-month extension to file your 2006 Oregon return. See page 5.

Use blue or black ink. Please use blue or black ballpoint ink for easier reading and faster processing. Equipment used to scan documents cannot read gel ink or certain colors, especially red, and using them could 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 2006 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 2006. 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 2006, and
- You spent less than 31 days in Oregon during 2006.

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 to order it, see page 40.

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 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 owe penalty or interest, or
- You want to apply all or part of your refund to your 2007 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 spouse is a full-year Oregon resident and one is a part-year resident, or
- You are filing jointly and both spouses 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 and your spouse 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 to order it, see page 40.

Military personnel

Residents stationed in Oregon. If you are an Oregon resident stationed in Oregon, file Form 40. If you were or have been on active duty (Title 10) for 90 consecutive days or more at any time after September 11, 2001, you may qualify for special benefits. See "Need more information?" on the top of page 5.

Residents stationed outside Oregon. If you meet the requirements for special-case Oregon residents or Oregon residents living abroad on page 3, 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 to order it, see page 40.

Filing for a deceased person

You must file a final 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 2. If a return is filed, please check the "deceased" box on the return. For more information, download *Survivor's Information* from our website or contact us to order it.

If you're filing a return and claiming a refund for someone who is now deceased and there is no court-appointed or certified personal representative, 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 2006 is April 16, 2007. If you cannot pay all 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 16, 2007, or
- You are filing an extension for Oregon only.

Extensions must be filed by the due date of the return, April 16, 2007.

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 to order it, see page 40.

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 16, 2007, until the date of your payment. The 2007 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.

Were you stationed in a designated combat zone?

If you were stationed in a designated combat zone and receive additional time to file your 2006 federal return and pay your 2006 tax, Oregon allows the same additional time to file and pay. Write "**Combat zone**" in blue or black ink at the top of your return.

Penalties

You will owe a 5 percent late-payment penalty on any 2006 tax not paid by April 16, 2007. See page 33.

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: You do not have to pay a penalty if you do all of the following:

1. Get an extension to file your return by the due date of the return, and
2. Pay at least 90 percent of the tax due by April 16, 2007, and
3. Pay the balance of tax due when you file your return by the extension deadline, and
4. Pay the interest on the balance of tax due when you file or within 30 days of our billing date.

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 33.

2007 estimated tax

Estimated tax is the amount of tax you expect to owe after credits and Oregon tax withheld when you file your 2007 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 2007.

Do I need to make estimated payments?

In most cases, people who expect to owe \$1,000 or more on their 2007 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 2007 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?

The due dates are April 16, 2007;* June 15, 2007; September 17, 2007; and January 15, 2008.

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 to order it, see page 40.

* Please send your 2007 estimated tax payment and Oregon Form 40-ESV in a separate envelope from your 2006 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 getting a refund this year. How long will it take to process my refund?

Once the department begins processing full-year returns (usually by February 1), 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 may take longer to process. Return processing time frames:

- E-file return7–12 business days
- Mail return before April 1

- With 2-D barcode 2–4 weeks
- Without 2-D barcode 6–8 weeks
- Mail return on or after April 1
 - With 2-D barcode 4–7 weeks
 - Without 2-D barcode 8–11 weeks

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

Yes. If you move after you mail 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, canceled 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 **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 to order it, see page 40.

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 2006 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 2006 amended return. Download the schedule and instructions from our website or to order it, see page 40.

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 4. 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 6.

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 of your return.**

Name and address

Type or clearly print your name, Social Security number, date of birth, address, and daytime telephone number on your return. If the taxpayer died in 2006 or 2007, please check the “deceased” box next to their name. If you are married filing separately, do not fill in your spouse’s name and SSN here, enter it on line 3 instead.

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. 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.

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. Check the same filing status you checked on your federal return. 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 the top of page 4.

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 2006? 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 eyeglasses, 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 10 or 32.

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.

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 2006, 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, 2006, 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 child’s name on line 6d, “Disabled children only.” Also be sure to include the 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, 2006. 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 7.

7b Extension. If you filed for an extension, check box 7b. For more information, see page 5.

7c Federal Form 8886. If you filed federal Form 8886, *Reportable Transaction Disclosure Statement*, check box 7c.

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 to order it, see page 40.

7e State School Fund. If there is a kicker refund, do you wish to donate your kicker refund to the State School Fund? If so, check box 7e. The fund is used for public elementary and secondary education. The kicker amount, if any, will be determined in the fall of 2007. If you check the box, any kicker refund that you would have received in 2007 based on your 2006 Oregon income tax will be sent directly to the State School Fund. **If you check the box, you cannot change your decision for the 2006 tax year.**

For Form 40S line instructions, go to page 9.

For Form 40 line instructions, go to page 24.

Form 40S line instructions

The following instructions are for lines not fully explained on the form. For general Form 40S instructions, see page 7.

Amended return. If you are amending your 2006 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 **2006 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 \$5,000. Don't fill in less than -0- or more than \$5,000 (\$2,500 if married filing separately).

- | | |
|---|----------|
| 1. Enter your federal tax liability from Form 1040, line 57; Form 1040A, line 35; Form 1040EZ, line 11; Form 1040NR, line 52; or Form 1040NR-EZ, line 15. | 1. _____ |
|---|----------|

2. Enter \$5,000 (\$2,500 if married filing separately).	2. _____
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3. Enter the smaller of line 1 or line 2 here and on Form 40S, line 9.	3. _____
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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 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 34.

Are you amending your 2006 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. <u>300</u> |
| 3. Add lines 1 and 2. | 3. _____ |
| 4. Minimum standard deduction. | 4. <u>850</u> |
| 5. Enter the larger of line 3 or line 4. | 5. _____ |
| 6. Basic standard deduction for single. | 6. <u>1,840</u> |
| 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 21 through 23. For examples, see page 29.

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:

1. Enter the amount from federal Form 2441, line 6; or Form 1040A, Schedule 2, line 6. 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 the result here and on Form 40S, line 15. 3. _____

Note: Did you pay 2005 child care expenses in 2006? If so, you may be able to use that amount to increase your 2006 Oregon child and dependent care credit. For more information, please contact us.

Carryover. Your total 2006 child and dependent care credit can't be more than your 2006 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 in brackets. 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 two credits, enter the second code on line 16c and the amount on line 16d. Fill in the total "other credits" on line 16. If you're claiming more than two "other credits," attach a statement to your return with the numeric codes and amounts of the credits that don't fit on the return. Add lines 16b, 16d, and the credit amounts on the statement

and enter the total on line 16. Number the statement. On line 17 (total credits), write "See Stmt" and the statement number in the space next to the total credits. Example: Write "See Stmt 3" for statement number 3.

- **Child and dependent care carryforward [code 704].** Fill in the amount of unused credit from prior year. See page 31.
- **Elderly or the disabled [code 709].** You get an Oregon credit only if you qualify for the federal credit. See page 30.
- **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 31.
- **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 32.
- **Political contribution [code 723].** You may qualify for a credit for political contributions. See page 31.
- **Residential energy [code 729].** You may qualify for a credit if you purchased certain energy-efficient items. See page 32.

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 paid estimated tax for 2006, 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 2007 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 ($\$400 \times .05$).

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 for whom you can claim 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 learn if you qualify, see page 35.

22 Involuntary move of a mobile home credit. Enter the amount from Schedule MH, section D, line 26. If you are claiming the non-refundable credit, section C, line 25, do not enter your credit here. Enter the code and amount on Form 40S line 16 instead. Attach Schedule MH 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 page 12 for information on charitable checkoffs or go to line 34.

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 “2006 Oregon Form 40S” on your check.
- Please use blue or black ballpoint ink. Do not use gel or red ink.
- 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

You can pay your current-year balance due, make 2007 estimated tax payments, or pay prior year taxes with your Discover, MasterCard, or Visa credit card. This option is available to all taxpayers.

To pay your taxes by 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.**

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.

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 33.

Charitable donations. If you don’t have a refund but want to contribute to a charity listed on page 12, mail your donation to the charity’s address listed on our website. Please do **not** mail your donation to the Department of Revenue.

Form 40V

For Oregon forms, please visit our website at
www.oregon.gov/DOR
and click on “Tax Forms”

Charitable checkoffs

You can donate all or part of your refund to the charities listed below. Donations will reduce your refund. You may donate to any or all of the charities on Form 40S, lines 26–31. You may also donate to one of the charities listed under the instructions for Form 40S, line 32. 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 **Other charity.** You may donate all or part of your refund to **one** of the charities listed below. Enter the code of the charity on Form 40S, in box 32a; or on Form 40, in box 62a. **Enter only one code.** Check the box for the amount you want to donate and write it on Form 40S, line 32; or Form 40, line 62. If you want to donate to more than one charity listed below, you can mail your donations directly to the charities at the addresses listed on our website.
Form 40 62

Habitat for Humanity [code 1]. Your donation will help Habitat for Humanity build simple, decent, and affordable housing for low-income families.

Oregon Head Start Association [code 2]. Your donation will help Head Start provide services to the lowest-income, highest-need children and families.

American Diabetes Association [code 3]. Your donation will help continue diabetes research and advocacy programs in Oregon.

Oregon Coast Aquarium [code 4]. Your donation will help fund educational programs, conservation efforts, and animal rehabilitation.

SMART [code 5]. Your donation will help fund the Start Making A Reader Today early literacy program for Oregon’s most vulnerable children.

SOLV [code 6]. Your donation will help fund thousands of projects to clean up and restore beaches, forests, rivers, and neighborhoods across Oregon.

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 Breast Cancer Foundation, Oregon & SW Washington [code 17]. Your donation funds critical breast cancer research, education, screening and treatment.

34 Net refund. You must reduce your refund by any donations made on lines 26–32. **The department cannot issue a refund if your return is filed more than three years after the due date of the return.**

35 Direct deposit. See page 34.

To finish your return, go to the signature block section on page 34.

Form 40S

For Oregon forms, please visit our website at
www.oregon.gov/DOR
and click on "Tax Forms"

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Form 40

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2006 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:	
\$ 0				\$ 4,000				\$ 9,000				\$ 14,000			
				4,000 – 4,100	229	203		9,000 – 9,100	623	524		14,000 – 14,100	1,073	881	
				4,100 – 4,200	236	208		9,100 – 9,200	632	531		14,100 – 14,200	1,082	890	
				4,200 – 4,300	243	213		9,200 – 9,300	641	538		14,200 – 14,300	1,091	899	
				4,300 – 4,400	250	218		9,300 – 9,400	650	545		14,300 – 14,400	1,100	908	
				4,400 – 4,500	257	223		9,400 – 9,500	659	552		14,400 – 14,500	1,109	917	
				4,500 – 4,600	264	228		9,500 – 9,600	668	559		14,500 – 14,600	1,118	926	
				4,600 – 4,700	271	233		9,600 – 9,700	677	566		14,600 – 14,700	1,127	935	
				4,700 – 4,800	278	238		9,700 – 9,800	686	573		14,700 – 14,800	1,136	944	
0 – 20	20 – 50	–	–	4,800 – 4,900	285	243		9,800 – 9,900	695	580		14,800 – 14,900	1,145	953	
		2	2	4,900 – 5,000	292	248		9,900 – 10,000	704	587		14,900 – 15,000	1,154	962	
\$ 50				\$ 5,000				\$ 10,000				\$ 15,000			
50 – 100	100 – 200	4	4	5,000 – 5,100	299	253		10,000 – 10,100	713	594		15,000 – 15,100	1,163	971	
		8	8	5,100 – 5,200	306	258		10,100 – 10,200	722	601		15,100 – 15,200	1,172	980	
		13	13	5,200 – 5,300	313	263		10,200 – 10,300	731	608		15,200 – 15,300	1,181	989	
		18	18	5,300 – 5,400	320	268		10,300 – 10,400	740	615		15,300 – 15,400	1,190	998	
		23	23	5,400 – 5,500	327	273		10,400 – 10,500	749	622		15,400 – 15,500	1,199	1,007	
		28	28	5,500 – 5,600	334	279		10,500 – 10,600	758	629		15,500 – 15,600	1,208	1,016	
		33	33	5,600 – 5,700	341	286		10,600 – 10,700	767	636		15,600 – 15,700	1,217	1,025	
		38	38	5,700 – 5,800	348	293		10,700 – 10,800	776	643		15,700 – 15,800	1,226	1,034	
		43	43	5,800 – 5,900	355	300		10,800 – 10,900	785	650		15,800 – 15,900	1,235	1,043	
		48	48	5,900 – 6,000	362	307		10,900 – 11,000	794	657		15,900 – 16,000	1,244	1,052	
\$ 1,000				\$ 6,000				\$ 11,000				\$ 16,000			
1,000 – 1,100	1,100 – 1,200	53	53	6,000 – 6,100	369	314		11,000 – 11,100	803	664		16,000 – 16,100	1,253	1,061	
		58	58	6,100 – 6,200	376	321		11,100 – 11,200	812	671		16,100 – 16,200	1,262	1,070	
		63	63	6,200 – 6,300	383	328		11,200 – 11,300	821	678		16,200 – 16,300	1,271	1,079	
		68	68	6,300 – 6,400	390	335		11,300 – 11,400	830	685		16,300 – 16,400	1,280	1,088	
		73	73	6,400 – 6,500	397	342		11,400 – 11,500	839	692		16,400 – 16,500	1,289	1,097	
		78	78	6,500 – 6,600	404	349		11,500 – 11,600	848	699		16,500 – 16,600	1,298	1,106	
		83	83	6,600 – 6,700	411	356		11,600 – 11,700	857	706		16,600 – 16,700	1,307	1,115	
		88	88	6,700 – 6,800	418	363		11,700 – 11,800	866	713		16,700 – 16,800	1,316	1,124	
		93	93	6,800 – 6,900	425	370		11,800 – 11,900	875	720		16,800 – 16,900	1,325	1,133	
		98	98	6,900 – 7,000	434	377		11,900 – 12,000	884	727		16,900 – 17,000	1,334	1,142	
\$ 2,000				\$ 7,000				\$ 12,000				\$ 17,000			
2,000 – 2,100	2,100 – 2,200	103	103	7,000 – 7,100	443	384		12,000 – 12,100	893	734		17,000 – 17,100	1,343	1,151	
		108	108	7,100 – 7,200	452	391		12,100 – 12,200	902	741		17,100 – 17,200	1,352	1,160	
		113	113	7,200 – 7,300	461	398		12,200 – 12,300	911	748		17,200 – 17,300	1,361	1,169	
		118	118	7,300 – 7,400	470	405		12,300 – 12,400	920	755		17,300 – 17,400	1,370	1,178	
		123	123	7,400 – 7,500	479	412		12,400 – 12,500	929	762		17,400 – 17,500	1,379	1,187	
		128	128	7,500 – 7,600	488	419		12,500 – 12,600	938	769		17,500 – 17,600	1,388	1,196	
		133	133	7,600 – 7,700	497	426		12,600 – 12,700	947	776		17,600 – 17,700	1,397	1,205	
		138	138	7,700 – 7,800	506	433		12,700 – 12,800	956	783		17,700 – 17,800	1,406	1,214	
		145	143	7,800 – 7,900	515	440		12,800 – 12,900	965	790		17,800 – 17,900	1,415	1,223	
		152	148	7,900 – 8,000	524	447		12,900 – 13,000	974	797		17,900 – 18,000	1,424	1,232	
\$ 3,000				\$ 8,000				\$ 13,000				\$ 18,000			
3,000 – 3,100	3,100 – 3,200	159	153	8,000 – 8,100	533	454		13,000 – 13,100	983	804		18,000 – 18,100	1,433	1,241	
		166	158	8,100 – 8,200	542	461		13,100 – 13,200	992	811		18,100 – 18,200	1,442	1,250	
		173	163	8,200 – 8,300	551	468		13,200 – 13,300	1,001	818		18,200 – 18,300	1,451	1,259	
		180	168	8,300 – 8,400	560	475		13,300 – 13,400	1,010	825		18,300 – 18,400	1,460	1,268	
		187	173	8,400 – 8,500	569	482		13,400 – 13,500	1,019	832		18,400 – 18,500	1,469	1,277	
		194	178	8,500 – 8,600	578	489		13,500 – 13,600	1,028	839		18,500 – 18,600	1,478	1,286	
		201	183	8,600 – 8,700	587	496		13,600 – 13,700	1,037	846		18,600 – 18,700	1,487	1,295	
		208	188	8,700 – 8,800	596	503		13,700 – 13,800	1,046	854		18,700 – 18,800	1,496	1,304	
		215	193	8,800 – 8,900	605	510		13,800 – 13,900	1,055	863		18,800 – 18,900	1,505	1,313	
		222	198	8,900 – 9,000	614	517		13,900 – 14,000	1,064	872		18,900 – 19,000	1,514	1,322	

2006 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:	
\$ 39,000				\$ 42,000				\$ 45,000				\$ 48,000			
39,000 – 39,100	3,323	3,131	42,000 – 42,100	3,593	3,401	45,000 – 45,100	3,863	3,671	48,000 – 48,100	4,133	3,941				
39,100 – 39,200	3,332	3,140	42,100 – 42,200	3,602	3,410	45,100 – 45,200	3,872	3,680	48,100 – 48,200	4,142	3,950				
39,200 – 39,300	3,341	3,149	42,200 – 42,300	3,611	3,419	45,200 – 45,300	3,881	3,689	48,200 – 48,300	4,151	3,959				
39,300 – 39,400	3,350	3,158	42,300 – 42,400	3,620	3,428	45,300 – 45,400	3,890	3,698	48,300 – 48,400	4,160	3,968				
39,400 – 39,500	3,359	3,167	42,400 – 42,500	3,629	3,437	45,400 – 45,500	3,899	3,707	48,400 – 48,500	4,169	3,977				
39,500 – 39,600	3,368	3,176	42,500 – 42,600	3,638	3,446	45,500 – 45,600	3,908	3,716	48,500 – 48,600	4,178	3,986				
39,600 – 39,700	3,377	3,185	42,600 – 42,700	3,647	3,455	45,600 – 45,700	3,917	3,725	48,600 – 48,700	4,187	3,995				
39,700 – 39,800	3,386	3,194	42,700 – 42,800	3,656	3,464	45,700 – 45,800	3,926	3,734	48,700 – 48,800	4,196	4,004				
39,800 – 39,900	3,395	3,203	42,800 – 42,900	3,665	3,473	45,800 – 45,900	3,935	3,743	48,800 – 48,900	4,205	4,013				
39,900 – 40,000	3,404	3,212	42,900 – 43,000	3,674	3,482	45,900 – 46,000	3,944	3,752	48,900 – 49,000	4,214	4,022				
\$ 40,000				\$ 43,000				\$ 46,000				\$ 49,000			
40,000 – 40,100	3,413	3,221	43,000 – 43,100	3,683	3,491	46,000 – 46,100	3,953	3,761	49,000 – 49,100	4,223	4,031				
40,100 – 40,200	3,422	3,230	43,100 – 43,200	3,692	3,500	46,100 – 46,200	3,962	3,770	49,100 – 49,200	4,232	4,040				
40,200 – 40,300	3,431	3,239	43,200 – 43,300	3,701	3,509	46,200 – 46,300	3,971	3,779	49,200 – 49,300	4,241	4,049				
40,300 – 40,400	3,440	3,248	43,300 – 43,400	3,710	3,518	46,300 – 46,400	3,980	3,788	49,300 – 49,400	4,250	4,058				
40,400 – 40,500	3,449	3,257	43,400 – 43,500	3,719	3,527	46,400 – 46,500	3,989	3,797	49,400 – 49,500	4,259	4,067				
40,500 – 40,600	3,458	3,266	43,500 – 43,600	3,728	3,536	46,500 – 46,600	3,998	3,806	49,500 – 49,600	4,268	4,076				
40,600 – 40,700	3,467	3,275	43,600 – 43,700	3,737	3,545	46,600 – 46,700	4,007	3,815	49,600 – 49,700	4,277	4,085				
40,700 – 40,800	3,476	3,284	43,700 – 43,800	3,746	3,554	46,700 – 46,800	4,016	3,824	49,700 – 49,800	4,286	4,094				
40,800 – 40,900	3,485	3,293	43,800 – 43,900	3,755	3,563	46,800 – 46,900	4,025	3,833	49,800 – 49,900	4,295	4,103				
40,900 – 41,000	3,494	3,302	43,900 – 44,000	3,764	3,572	46,900 – 47,000	4,034	3,842	49,900 – 50,001	4,304	4,112				
\$ 41,000				\$ 44,000				\$ 47,000							
41,000 – 41,100	3,503	3,311	44,000 – 44,100	3,773	3,581	47,000 – 47,100	4,043	3,851							
41,100 – 41,200	3,512	3,320	44,100 – 44,200	3,782	3,590	47,100 – 47,200	4,052	3,860							
41,200 – 41,300	3,521	3,329	44,200 – 44,300	3,791	3,599	47,200 – 47,300	4,061	3,869							
41,300 – 41,400	3,530	3,338	44,300 – 44,400	3,800	3,608	47,300 – 47,400	4,070	3,878							
41,400 – 41,500	3,539	3,347	44,400 – 44,500	3,809	3,617	47,400 – 47,500	4,079	3,887							
41,500 – 41,600	3,548	3,356	44,500 – 44,600	3,818	3,626	47,500 – 47,600	4,088	3,896							
41,600 – 41,700	3,557	3,365	44,600 – 44,700	3,827	3,635	47,600 – 47,700	4,097	3,905							
41,700 – 41,800	3,566	3,374	44,700 – 44,800	3,836	3,644	47,700 – 47,800	4,106	3,914							
41,800 – 41,900	3,575	3,383	44,800 – 44,900	3,845	3,653	47,800 – 47,900	4,115	3,923							
41,900 – 42,000	3,584	3,392	44,900 – 45,000	3,854	3,662	47,900 – 48,000	4,124	3,932							

2006 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.....\$4,308 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.....\$4,116 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 7.

Amended return. If you are amending your 2006 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(s) using the numeric code shown in brackets. Enter the code on line 10a and the amount on line 10b. For example, if you're reporting a \$200 addition for claim of right, enter "103" on line 10a and "\$200" on line 10b. If you're reporting two additions, enter the second numeric code on line 10c and the amount on line 10d. Fill in the total amount of all "other additions" on line 10. If you're claiming more than three "other additions," attach a statement to your return with the numeric codes and amounts of the additions that don't fit on the return. Add lines 10b, 10d, 10f, and the addition amounts on the statement and enter the total on line 10. Number the statement. On line 11 (total additions), write "See Stmt" and the statement number in the space next to the total additions. Example: Write "See Stmt 3" for statement number 3.

- **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 2006 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 27.
- **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.
- 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.
- 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].
- 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.
 - Self-employment health insurance deduction.
- 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.
- Unused business credit [code 122].

Subtractions

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

13 **2006 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 \$5,000. Don't fill in less than -0- or more than \$5,000 (\$2,500 if married filing separately).

1. Enter your federal tax liability from Form 1040, line 57; Form 1040A, line 35; Form 1040EZ, line 11; Form 1040NR, line 52; or Form 1040NR-EZ, line 15. 1. _____
2. Enter your tax on qualified retirement plans, 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 \$5,000 (\$2,500 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 2006 return? See the *Oregon Amended Schedule* instructions to figure your subtraction for federal tax liability.

Did you pay additional federal tax in 2006 because you were audited or filed an amended return? If so, see page 27 for line 18 instructions.

The total of your federal tax subtraction (line 13), your federal tax from a prior year (line 18), and your foreign tax subtraction (line 18) cannot be more than \$5,000 (\$2,500 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 2006 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, 1971, until January 7, 2005. She worked a

total of 403 months; 244 months were worked before October 1, 1991. In 2006, she received taxable federal pension income of \$35,000. Using the formula above, her allowable subtraction is:

$$\frac{244}{403} \times \$35,000 = \$21,175$$

She can subtract 60.5 percent ($244 \div 403 = .6054$), or \$21,175 ($\$35,000 \times .605$), of her taxable federal pension. She will continue to subtract 60.5 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(s) using the numeric code shown in brackets. Enter the numeric code on line 18a and the amount on line 18b. For example, if you're claiming a \$100 Oregon Lottery subtraction, enter "322" on line 18a and "\$100" on line 18b. If you're claiming two subtractions, enter the second numeric code on line 18c and the amount on line 18d. Fill in the total amount of other subtractions on line 18.

If you're claiming more than three "other subtractions," attach a statement to your return with the numeric codes and amounts of the subtractions that don't fit on the return. Add lines 18b, 18d, 18f, and the subtraction amounts on the statement and enter the total on line 18. Number the statement. On line 19 (total subtractions), write "See Stmt" and the statement number in the space next to the total subtractions. Example: Write "See Stmt 3" for statement number 3. 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 2006. 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 2006 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 \$5,000 (\$2,500 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 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. _____ |

- **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 \$3,000 active duty pay earned in Oregon. **Note:** Your total subtraction cannot be more than your total active duty pay income.

Reserve summer camp is considered active duty. However, drills and weekend meetings of reserve units 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 to order it, see page 40.

Example: Barry, an Oregon resident, enlisted in the Army in 1999. From January until August 2006, 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 \$3,000 earned in the state, for a total subtraction of \$27,000.

- **Oregon National Guard 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 at any time since January 2001?
- Did you serve on active duty in Oregon as a member of the Oregon National Guard?
- Did you serve as a member of the Oregon National Guard under U.S. Code Title 32 and were then called to active duty status and served under U.S. Code Title 10?

If you answered yes to all of these questions, you can subtract all of the Oregon National Guard active duty pay you earned while you served under Title 10 in Oregon. This subtraction is available for tax years starting on or after January 1, 2001. You may be able to amend your prior year tax returns to claim this subtraction. See *Oregon Amended Schedule* for time limits.

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 2006. 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 2006: \$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 24.

- 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 gain previously taxed by Oregon [code 306].
- Federal business credits [code 340].
- Fiduciary adjustments from Oregon estates and trusts [code 310].
- Film production labor rebate [code 336].
- Foreign tax [code 311].
- Hurricane Katrina Housing [code 337].
- Individual Development Account [code 314].
- 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].
- 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].
- 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 28.

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, 2006? 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 claimed as an itemized deduction. Fill in the amount of Oregon state income 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 2006 net tax liability, or the other state’s 2006 tax claimed as an itemized deduction, whichever is less. For the credit instructions, see page 31.

Did you limit itemized deductions on your federal return because your adjusted gross income was more than \$150,500 (\$75,250 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 to order it, see page 40.

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

Single.....	\$1,840
Married filing jointly.....	3,685
Married filing separately	
<i>If spouse claims standard deduction.....</i>	1,840
<i>If spouse claims itemized deductions.....</i>	-0-
Head of household.....	2,965
Qualifying widow(er).....	3,685

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 on page 29 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?

If your filing status is...	And the number of boxes checked in step 1 is...	Then your standard deduction is...
Single	1	\$3,040
	2	4,240
Married filing jointly	1	4,685
	2	5,685
	3	6,685
	4	7,685
Married filing separately	1	2,840
	2	3,840
	3	4,840
	4	5,840
Head of household	1	4,165
	2	5,365
Qualifying widow(er)	1	4,685
	2	5,685

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 9.

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 21–23. 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 22. The tax is \$1,568.

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 23. They figure their tax like this:

Oregon taxable income		\$75,500
Subtract	–	50,000
		<u>25,500</u>
Multiply by 9%	×	.09
		<u>2,295</u>

Then add	+	4,116
Their Oregon tax is		<u>\$ 6,411</u>

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 to order it, see page 40. 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 0.583 percent per month (7 percent per year) for 2006. 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.

34 Retirement income credit. If you were age 62 or older on December 31, 2006, 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.

1. Enter the retirement income of the eligible individual(s) included on Form 40, line 8. 1. _____
2. Enter any federal pension income subtracted from Oregon income on Form 40, line 17. See page 26. 2. _____
3. Net Oregon taxable pension. Line 1 minus line 2. 3. _____
4. Enter \$7,500 (\$15,000 if married filing jointly). 4. _____
5. Enter both spouses' total 2006 Social Security and tier 1 Railroad Retirement Board benefits. 5. _____
6. 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. 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 2005 child care expenses in 2006? If so, you may be able to use that amount to increase your 2006 Oregon child and dependent care credit. For more information, please contact us.

Carryforward. Your total 2006 child and dependent care credit can't be more than your 2006 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 31.

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, \$50 on all others. Your contribution(s) of money must have been made during 2006 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. Please identify the other state on Form 40, box 38a.

If you are claiming the credit for more than one state, attach a statement to your return identifying the states, the credit for each state, and calculations for each state's credit. Number the statement. Enter "ST" in box 38a. Enter the total for all states on 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 2006 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 2006 tax claimed as an itemized deduction, or
- The other state's 2006 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 credits listed on pages 31–32. Please identify credit(s) using the numeric code shown in brackets. Enter the numeric code on line 39a and the amount on line 39b. For example, if you're claiming a \$45 residential energy credit, enter "729" on line 39a and "\$45" on line 39b. If you're claiming two credits, enter the second numeric code on line 39c and the amount on line 39d. Fill in the total amount of "other credits" on line 39. If you're claiming more than three "other credits," attach a statement to your return with the numeric codes and amounts of the credits that don't fit on the return. Add lines 39b, 39d, 39f, and the credit amounts on the statement and enter the total on line 39. Number the statement. On line 40 (total credits), write "See Stmt" and the statement number in the space next to the total credit. Example: Write "See Stmt 3" for statement number 3.

• 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 2006, 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 2006 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.

• 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 2006.

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 24.

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 7.

- **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. Enter the amount you contributed to the trust on line 39. 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).
- **Rural Emergency Medical Technician (EMT) [code 742].** If you provide volunteer EMT services in a rural area you may qualify for this \$250 tax credit. At least 20 percent of your EMT services must be in a rural area. Go to the Office of Rural Health website at www.ohsu.edu/oregonruralhealth for more information. If you qualify you will receive a confirmation of eligibility. You must get confirmation of eligibility from the Office of Rural Health each year. Keep this confirmation with your tax records. Do not attach it to your return.
- 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].
- Bone marrow donation program [code 702].
- 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 [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].
- IDA withdrawal for home purchase [code 738].
- Involuntary move of a mobile home from Schedule MH—non-refundable [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 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 have tax to pay this year, you may want to increase the amount your employer withholds from your 2007 wages for Oregon. Download the publication *Oregon Income Tax Withholding* from our website or contact us to order it.

- 43 Estimated tax payments for 2006.** Fill in the total estimated tax payments you made before

filing your Oregon return. These payments were due April 17, 2006; June 15, 2006; September 15, 2006; and January 16, 2007. Include any payments you made with your Oregon extension. Also include any refund you applied to your 2006 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 with a disability for whom you can claim the additional exemption credit). If the credit is more than your tax liability, the difference will be refunded to you. To see if you qualify, go to page 35.

46 Involuntary move of a mobile home credit (Refundable). Enter the amount from Schedule MH, section D, line 26. If you are claiming the non-refundable credit, section C, line 25, do not enter your credit here. Enter the code and amount on Form 40, line 39 instead. Attach Schedule MH 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 16, 2007. Your return is also due by April 16, 2007, unless you file for an extension.

Penalty. Include a penalty payment if you:

- Mail your payment after April 16 (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, see page 5.

Interest. If you're filing your return or paying your tax after April 16, 2007, include interest on any unpaid tax.

An interest period is each full month starting with the day after the due date. For example, April 17 to May 16 is a full month and interest period.

The 2007 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 2006, 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 or you meet an exception, you must file Oregon Form 10 with your return.

If you have an underpayment, fill in the amount of interest due from Form 10 on Form 40, line 51, and check the box. If you meet an exception, enter the exception number on line 51a. Attach Form 10 to your return.

53 Amount you owe. 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 "2006 Oregon Form 40" on your check.
- Please use blue or black ballpoint ink. Do not use gel or red ink.
- Do not send cash or a postdated check.
- Staple your payment and the Form 40-V payment voucher (page 11) to your return on top of your Form(s) W-2 and 1099.

Credit card payment. See page 11.

Payment plan. If you cannot pay in full now, we will help you set up a payment plan for the amount you do not pay with your return. For more information, please contact us.

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 12, 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 this page.

54 Refund. You must have a refund on line 54 to use lines 55–64.

55 Estimated tax. If you have a refund, you may apply part or all of it to your 2007 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 page 12. Donations will reduce your refund. You can donate to any or all of the charities on Form 40, lines 56–61. You can also donate to one charity on Form 40, line 62, see page 12. Or, you can mail your donations to the addresses listed on our website.

For a description of the charities, go to page 12.

64 Net refund. You must reduce your refund by any amounts applied to 2007 estimated tax (line 55) and donations on lines 56–62. **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 65 **Form 40S 35** **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). Include hyphens, but do not include 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.
- State Board of Accountancy in Salem, 503-378-4181 for public accountants and certified public accountants.

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 11) 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 amending, attach your *Oregon Amended Schedule*.
5. Place a copy (front and back) of your federal Form 1040, 1040A, 1040EZ, 1040NR, or 1040NR-EZ behind your Form 40. Form 40S filers do not need to attach this item unless the IRS is figuring your federal tax.
6. If applicable, place these items in the following order behind the federal form:
 - Schedule WFC, *Oregon Working Family Child Care Credit*. See page 37.
 - Form 10, *Underpayment of Oregon Estimated Tax*.
 - Proof required to claim credit for income taxes paid to another state. See page 31.
 - 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 MH, Involuntary Move of a Mobile Home.*
- Statements for lines that need explanation.

7. Staple all the pages of your return together in the top left corner.

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. Call us as soon as possible to set up a payment plan. If you do not call, collection activity may begin. See page 40 for the numbers to call.

To avoid processing delays, remember to:

Type or clearly print your name, Social Security number, date of birth, 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.

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

Staple readable copies of Form(s) W-2 and 1099 showing Oregon tax withheld to the front of your 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 \$7,100 of earned income, and
- You had \$2,800 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, 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, 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, 2006, to qualify.

If you qualify, complete Schedule WFC, *Oregon Working Family Child Care Credit*, on page 37. Attach this schedule to your return.

Schedule WFC instructions for residents

You must complete all information on the schedule. An incomplete schedule may result in delay or denial of your working family child care 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.

Household size calculation

Sched. WFC **1**–**5**

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 2006 or who aren't related to you. For the purposes of this credit, a person cannot be counted in 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 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 the schedule 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 the schedule 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 the schedule and "2" on line 4 for a total of "5" on line 5.

Qualifying child care expenses paid in 2006

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, please attach a separate sheet with the required information.

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 39. 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 (and your spouse, if married) to work or attend school. 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 2006 for the payments to be qualifying child care expenses.

Qualifying child care expenses do **not** include amounts you paid for your child to attend a public or private school or for after school activities or sports. 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.

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

Schedule WFC

For Oregon forms, please visit our website at
www.oregon.gov/DOR
and click on "Tax Forms"

Schedule WFC

For Oregon forms, please visit our website at
www.oregon.gov/DOR
and click on "Tax Forms"

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 × 12 months). She will not include the non-qualifying expenses paid by the state.

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 includes, but is not limited to, copies of:

- Canceled 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.).

Get a separate receipt for each child and identify the type of care or schooling received.

The department can ask for proof 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.

Example 6: 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. You can find your federal AGI on your Oregon Form 40S or Form 40, line 8. Enter your federal AGI 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 38) 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 return 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
- 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 24, *Oregon Like-Kind Exchanges/ Involuntary Conversions* 150-800-734
- 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 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
- Income Tax Filing Extension* 150-101-660
- 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 _____

Internet

www.oregon.gov/DOR



- 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.

Check your refund at www.oregonrefund.com

Correspondence



Write to: 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 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 2006 personal income tax refund (beginning February 1).
- Order tax forms.
- Hear recorded tax information.



For help from Tax Services, call one of the numbers above:

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:

April 2–April 16, Monday–Friday 7:00 a.m.–7:00 p.m.
Saturday, April 14 9:00 a.m.–4:00 p.m.
Wait times may vary.

Asistencia en español:

Salem 503-945-8618
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

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

Field offices

Get forms and assistance at these offices. **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

Medford 3613 Aviation Way, #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

Tualatin 6405 SW Rosewood Street, Suite A

