

# 2006

# OREGON

## Part-Year Resident and Nonresident

Forms 40N, 40P, and instructions;  
Schedule WFC-N/P and instructions

Wallowa County near Imnaha

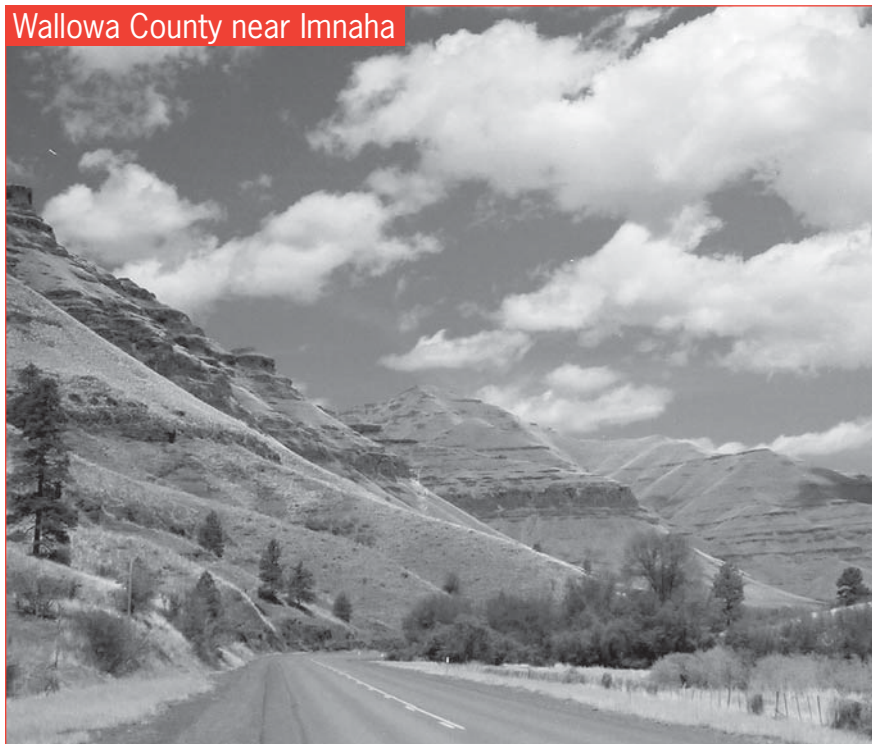


Photo courtesy of ODOT Photo and Video Services

### Services Paid for with Oregon Income Taxes

**Education 55%**

K-12 System, Community  
Colleges, Higher Education

**Human Services 23%**

Child Protective Services,  
Medicaid, Senior Services

**Public Safety 17%**

Police, Department of Justice,  
Corrections Facilities

**Other Services 5%**

Forestry Services, Agriculture,  
Public Transportation, Libraries

Percentages are projected for the 2005–07 biennium

### 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.



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of Revenue

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## 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 if married filing separately). See page 25.

**Standard deduction amounts.** The standard deduction amounts have changed. See page 24.

**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.

**Oregon Military Emergency Financial Assistance Program.** This is a new charitable checkoff. See page 32.

**Oregon earned income credit (EIC).** This credit is based on your federal EIC and is now refundable. Form 40N and 40P filers will multiply their Oregon EIC by their Oregon percentage. If the credit is more than your tax liability, the difference will be refunded to you. See page 30 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)** and **university venture fund** credits are also new this year. For more information, go to our website or contact us.

## Important reminders

**Filing extension.** Use Form 40-EXT to obtain an automatic six-month extension of time to file your 2006 Oregon return. See page 13.

**Credit card payments.** The department accepts credit card payments for 2006 current year tax balances due, 2007 estimated taxes, and any prior year tax. See page 31.

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

sible if your bank rejects your deposit. If it does, we will issue a paper check. See page 33.

**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'll have an addition on your Oregon return. See page 20.*

**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 of ink, especially red; using them could delay the processing of your return.

# General information

## Should I file an Oregon return?

You must file an Oregon income tax return if your Oregon source income and income received while an Oregon resident is more than your standard deduction.

If your Oregon income is less than your standard deduction, you're not required to file a return for Oregon.

**Full-year residents.** Oregon taxes your income from all sources.

**Part-year residents.** Oregon taxes your income from all sources earned or received while you were an Oregon resident. Oregon also taxes your income from Oregon sources while you were a nonresident.

**Nonresidents.** Oregon taxes only your income from Oregon sources.

## Filing thresholds

You must file an Oregon income tax return if:		
Your filing status is:	Age:	And your Oregon income is more than:
Can be claimed on another's return	Any	\$850*
Single	Under 65	\$1,840
	65 or over	\$3,040
Married, joint return	Both under 65	\$3,685
	One 65 or over	\$4,685
	Both 65 or over	\$5,685
Married, separate return <i>If spouse claims standard deduction</i>	Under 65	\$1,840
	65 or over	\$2,840
<i>If spouse itemizes deductions</i>	Any	\$0
Head of household	Under 65	\$2,965
	65 or over	\$4,165
Qualifying widow(er)	Under 65	\$3,685
	65 or over	\$4,685

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

## What does income from Oregon sources include?

Oregon income includes income shown on your federal return for services performed in Oregon.

If you have wages from an Oregon employer for services performed in Oregon and another state while you were a nonresident, and your Oregon wages are not stated separately on your W-2, compute your Oregon source income using the following formula:

$$\frac{\text{Days actually worked in Oregon}}{\text{Days actually worked everywhere}} \times \text{Total wages} = \text{Oregon wages}$$

**Do not** include holidays, vacation days, and sick days as actual work days. **However, you must** include sick pay, holiday pay, and vacation pay in total wages. You **must** attach an explanation from your employer. If Oregon is the only state you worked in, do not use this formula; all your earnings are taxable and must be reported in the Oregon column.

**Example:** Savannah lives in Idaho but works in Oregon. Of her 260 total days paid, she worked 138 days in Oregon and 92 days from her home in Idaho. She received 14 days vacation pay, eight days sick pay, and eight days holiday pay. She earned \$50,000 in wages. She figured the amount subject to Oregon tax as follows:

Total days paid	260
Less: Vacation days	(14)
Sick days	(8)
Holidays	(8)
Total days worked everywhere	230

$$\frac{\text{Days actually worked in Oregon (138)}}{\text{Days actually worked everywhere (230)}} \times \frac{\$50,000}{\text{(Total wages)}} = \$30,000$$

Savannah's compensation reported in the federal column, Form 40N, line 8F is \$50,000 and in the Oregon column, Form 40N, line 8S is \$30,000.

**The following are considered other income from Oregon sources:**

- Businesses, partnerships, limited liability companies taxed as partnerships, and S corporations located or doing business in Oregon—income (losses).
- Unemployment compensation received because of an Oregon job.
- Severance pay received because of an Oregon job.
- Oregon farm income (losses).
- Oregon estate and trust income (losses).
- Sale of Oregon property income (losses).
- Rents and royalties for use of Oregon property.
- Community property income. If you're a resident of Oregon and your spouse is a resident of a state with community property laws, you may be taxed on part of your spouse's income. Community property laws in the state where your spouse lives determine if you're taxed on any of your spouse's income. You may need more information from the state where your spouse lives. Go to our website for links to other states' tax websites.

**What income is not included in Oregon sources?**

- Interest and dividends. However, if they're from an Oregon business you own, or are received during the part of the year you were a resident, you must include them in Oregon income.
- Interstate transportation wages from an interstate railroad company, interstate motor carrier, air carrier, or motor private carrier. You must be a nonresident and have regularly assigned duties in more than one state. Download the publication *Interstate Transportation Wages (Amtrak Act)* from our website or to order it, see page 40.
- Oregon retirement income received while you were a nonresident unless you were domiciled in Oregon. See "Pensions and annuities" on page 18.
- Waterway or hydroelectric dam compensation, if you're a nonresident:
  - Working as crew or pilot on a vessel on a river between Oregon and another state, or
  - Working on a dam that spans a river between Oregon and another state.
- Military pay of a nonresident.

## Residency

**Am I a resident, nonresident, or part-year resident?**

The following will help you decide:

- **You're 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 come back to when you're away.

**You're 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're a nonresident alien as defined by federal law.

- **You're a nonresident** if your permanent home was outside Oregon all year.
- **You're a part-year resident** if you moved into or out of Oregon during 2006. You're **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're an Oregon resident and you meet **all** the following conditions, you're considered a nonresident for tax purposes:

- You're an Oregon resident who maintained a permanent home outside Oregon the entire year, and
- You didn't 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.** Generally, you're 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 Oregon 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,

**Instructions continued on page 13**

## **Form 40N**

For Oregon forms, please visit our website at  
[www.oregon.gov/DOR](http://www.oregon.gov/DOR)  
and click on "Tax Forms"

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## **Form 40P**

For Oregon forms, please visit our website at  
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and click on "Tax Forms"

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## **Form 40P**

For Oregon forms, please visit our website at  
[www.oregon.gov/DOR](http://www.oregon.gov/DOR)  
and click on "Tax Forms"

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.

## Military personnel

**Nonresidents stationed in Oregon.** Oregon does not tax your military pay while you're 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.

**Residents stationed outside Oregon.** If you meet the requirements for special case Oregon residents or Oregon residents living abroad, file Form 40N. See "Residency" on page 4. File Form 40 from the *Full-Year Resident tax booklet* if you don't meet the listed requirements.

**Residents stationed in Oregon.** If you're an Oregon resident stationed in Oregon, file Form 40 from the *Full-Year Resident tax booklet*.

**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 normally would be required. See "Should I file an Oregon return?" on page 3. 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 will allow us to issue the refund check in your name. Download the form from our website or contact us to order it.

## What form do I use?

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

- You're a nonresident, or
- You're a special case Oregon resident (see "Special case Oregon residents" on page 4), 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 on this page, or
- You qualified as an Oregon resident living abroad for the entire year.

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

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

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

- You're a full-year resident, or
- You and your spouse are both full-year residents filing jointly.

Forms 40 and 40S are included in the *Full-Year Resident booklet*. Download the booklet from our website, or to order it, see page 40.

## 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, you can request an extension. Complete an Oregon extension form, Form 40-EXT, if:

- You're making a tax payment to Oregon and you cannot file your Oregon return by April 16, 2007, or
- You're 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 extension and you're expecting an Oregon refund, do not use Form 40-EXT. Oregon will allow you the same extension. Be sure to check box 7b on your Oregon return. Do not 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 the form 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 don't pay all the tax due with your extension, you'll owe interest on the unpaid balance after April 16, 2007, until the date of your pay-

ment. 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 received 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 30.

If you file more than three months after the due date or extension due date, a 20 percent late-filing penalty will be added and your total penalty will be 25 percent of any unpaid tax.

There is an exception to paying a penalty. For Form 40N, line 68 or Form 40P, line 67 instructions, see page 30.

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 on underpayment of 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.

For Form 40N, line 69 or Form 40P, line 68 instructions, see page 31.

## 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 decide if you need to make estimated tax payments for 2007.

### Who must make estimated tax payments?

In most cases, estimated tax payments must be made by people who **expect to owe \$1,000 or more** on their 2007 Oregon income tax return after credits and withholding. You may need to make estimated payments if:

- You're self-employed and don't have Oregon tax withheld from your income.
- You received 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 for 2007 taxes 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 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 also 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 them.

## 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 an income tax refund this year. How long will it take to process?

Once the department begins processing part-year and nonresident returns (usually by March 1), your return will be processed in the time frames listed below. If you claim the Working Family Child Care Credit (WFC) or your return needs additional review for another reason, your return will take longer to process. Return processing time frames after March 1:

- E-file return .....7-12 business days
- Mail return (before April 1) ..... 6-8 weeks
- Mail return (on or after April 1) .....8-11 weeks

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

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

### What tax records do I need to keep?

You need to keep:

- A complete copy of both 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.

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 40N or Form 40P to change (amend) your 2006 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. If you need 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.

## Instructions for Forms 40N and 40P

### Step 1: Fill out your federal form.

Your Oregon tax is determined using the ratio of your Oregon source income to your entire federal income. **Fill out your federal return first**, then your Oregon return. You must attach a copy (front and back) of your federal Form 1040, 1040A, 1040EZ, 1040NR, or 1040NR-EZ to your Oregon tax return. **Do not attach any federal schedules.** We may ask for copies of schedules or additional information later.

See "What tax records do I need to keep?" above.

### Step 2: Select the appropriate form.

To decide whether to use Form 40N or 40P, see page 13.

### Step 3: Fill out the Oregon form.

#### Residency

Enter the dates you were an Oregon resident during 2006. For example, "01/01/2006 to 04/15/2006," or "03/01/2006 to 12/31/2006."

#### Fiscal year filers only

Write the end date of your fiscal year in the space. **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. Do not attach your ITIN application (federal Form W-7) to your Oregon tax return. **Write "applied for" wherever your SSN**

is requested and file the return by April 16, 2007. For a copy of Form W-7, go to the IRS website at [www.irs.gov](http://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. If you file as **head of household**, enter the name of a person who qualifies you for head of household filing status next to box 4. Please enter only one name.

Check the **same filing status** you checked on your federal return. **Exception:** If you and your spouse do not have the same residency status, you may file separate returns for Oregon even if you filed your federal return as married filing jointly. To determine which filing status to use for Oregon, see page 4.

### How to file separate returns for Oregon

If you're **married filing separately** (MFS), enter 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 **file separate returns for Oregon only**, report your own share of federal adjusted gross income (AGI) and deductions. Also, report your share of any Oregon additions or subtractions using this formula to determine your percentage:

$$\frac{\text{Your share of federal AGI}}{\text{Joint federal AGI}} = \text{Your percentage (not to exceed 100\%)}$$

**Write "MFS for Oregon only" in blue or black ink at the top of your return.** Attach the following to **both** Oregon returns:

- A federal Form 1040, 1040A, 1040EZ, 1040NR, or 1040NR-EZ prepared as if you had filed married filing separately, and
- A copy of the joint Form 1040, 1040A, 1040EZ, 1040NR, or 1040NR-EZ you **actually** filed.

If possible, mail both spouses' Oregon returns in the **same** envelope. **Do not** staple the returns together.

Download the publication *Married Persons Filing Separate Returns* from our website or to order it, see page 40.

### 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 exemption credit for a child with a disability. You may claim the severely disabled exemption even if someone else can claim you as a dependent. You're 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 are 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.

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 doesn't prevent you from doing other kinds of work without special equipment.

**Note:** Deafness alone is not a qualifying disability.

If you have a permanent severe disability, your physician must write a letter describing your disability. 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. For more information, please contact us.

**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 that are 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 where the child attends school, **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.

**Note:** Learning disabilities or communication disorders alone do **not** qualify.

Get a statement of eligibility that confirms one of the disabilities listed on the previous page and 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 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 blind on December 31, 2006. You’re entitled to a larger standard deduction on Form 40N or Form 40P, line 44.

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 16.

**7b** **Extension.** If you filed for an extension, check box 7b. For more information, see page 13.

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

**7d** **Oregon Form 24.** Did you file federal Form 8824 because you’re deferring gain on exchanged property? If so, check the box on line 7d. 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.**

## Form 40N and 40P line instructions

The following instructions are for lines not fully explained on the forms.

**Amended return.** If you’re amending your 2006 return, check the box in the upper left corner of Form 40N or Form 40P and attach the *Oregon Amended Schedule*.

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

The forms have two columns for figures. These are to compare your total federal adjusted gross income (column F) to the portion of your federal adjusted gross income that Oregon taxes (column S).

### Federal column (F) instructions, lines 8F–30F

The first column is labeled “Federal column (F).” For lines 8F–30F of the federal column, fill in the same amounts you reported on your federal return. If you have adjustments on your federal return that are not shown on lines 22–27, see page 20 for instructions on filling out lines 28F and 28S.

**Line 30F, “Income after adjustments,” must match your 2006 federal adjusted gross income** from federal Form 1040, line 37; Form 1040A, line 21; Form 1040EZ, line 4; Form 1040NR, line 35; or Form 1040NR-EZ, line 10. If it does not match, check that you wrote your federal figures correctly. If you need help, please contact us.

### Oregon column (S) instructions, lines 8S–30S

The second column is labeled “Oregon column (S).” Use this column to list the amounts from the federal column that Oregon taxes.

**Nonresidents.** Oregon taxes only your income from **Oregon sources**. To compute your Oregon source income, see “What does income from Oregon sources include?” on page 3.

**Part-year residents.** Oregon taxes your income from **all sources** earned or received while you were an Oregon resident. Oregon also taxes your income from **Oregon sources** while you were a nonresident. To compute your Oregon source income, see “What does income from Oregon sources include?” on page 3.

**Full-year residents.** Oregon taxes your income from **all sources**. All amounts included in the federal column should also be included in the Oregon column.

**8S** **Wages, salaries, and other pay for work. Part-year residents**—fill in amounts you earned while an Oregon resident and any amounts you earned working in Oregon while you were a nonresident.

**Full-year residents**—fill in all income included in the federal column.

**Nonresidents**—fill in the amount earned while working in Oregon. If that amount differs from the Oregon wages on your W-2 form, you must attach an explanation from your employer to your return and attach a statement explaining your calculations. If your Oregon wages are not stated separately on your W-2, compute your Oregon source income using the following formula:

$$\frac{\text{Days actually worked in Oregon}}{\text{Days actually worked everywhere}} \times \begin{array}{l} \text{Total} \\ \text{wages} \\ \text{(line 8F)} \end{array} = \begin{array}{l} \text{Oregon} \\ \text{wages} \\ \text{(line 8S)} \end{array}$$

**Do not** include holidays, vacation days, and sick days as days actually worked. **However, you must** include sick *pay*, holiday *pay*, and vacation *pay* in total wages. See the example on page 3. If Oregon is the only state you worked in, do not use this formula; all your earnings are taxable and should be reported in the Oregon column. If line 8S doesn't match your W-2, attach a statement explaining your calculations.

**Exceptions:**

- If you're a nonresident with interstate transportation wages, you may qualify for special treatment under the Amtrak Act. Download the publication *Interstate Transportation Wages (Amtrak Act)* from our website or to order it, see page 40.
- Nonresidents who work on Bonneville, The Dalles, John Day, or McNary dam should exclude this income from the Oregon column. Write the name of the dam you work on at the top left corner of the return. Please use **blue or black** ink.
- Nonresidents who work as crew or pilots on a vessel on the Columbia River or Snake River waterway should exclude this income from the Oregon column. Write "Waterway" at the top left corner of the return. Please use **blue or black** ink.
- Nonresident members of the U.S. Armed Forces stationed in Oregon should not enter their military pay in the Oregon column. Military pay of a nonresident is not Oregon source income. Do not report it in the Oregon column on line 8S. Write "Military nonresident" at the top left corner of the return. Please use **blue or black** ink.

**9S Taxable interest income.** Determine the amount of interest income you received while you were a nonresident on funds used for business activity in Oregon. Add any interest included on your federal return that you received during the part of the year you were an Oregon resident.

**10S Dividend income.** Determine the amount of dividends received from an Oregon business activity source while you were a nonresident. This includes dividends passed through to you from an S corporation or partnership doing business in Oregon. These are dividends your S corporation or partnership received on the stock of another corporation. Add any dividend income included on your federal return that

you received during the part of the year you were an Oregon resident.

**11S State and local income tax refunds.** Enter the amount reported on your federal return that is:

- A refund from Oregon or any other state or locality for which you claimed a deduction on an Oregon return in a prior year, or
- A refund received during the part of the year you were an Oregon resident.

**12S Alimony received.** Fill in alimony you received for the part of the year you were an Oregon resident.

**13S Business income or loss.** Determine the amount of income or loss from an Oregon business activity for the part of the year you were a nonresident. Add all business income or losses incurred during the part of the year you were a resident of Oregon.

**14S Capital gain or loss.** Determine the amount of gain or loss and capital gain distributions from Oregon sources for the part of the year you were a nonresident. Add the amount of your capital gains received and losses incurred during the part of the year you were an Oregon resident. Limit losses to \$3,000 (\$1,500 if married filing separately).

**15S Other gains or losses.** Determine the amount of gain or loss from Oregon sources for the part of the year you were a nonresident. Add the gain received or loss incurred during the part of the year you were an Oregon resident.

**16S IRA distributions.** Determine the amount of any taxable individual retirement arrangement (IRA) distributions you received while an Oregon resident. Include any amounts you converted from a regular IRA into a Roth IRA while you lived in Oregon. If you lived in another state when you made contributions to your IRA, you may need more information. If so, please contact us.

**17S Pensions and annuities.** Enter the amount of taxable pensions and annuities (including federal pensions) you received while an Oregon resident. Do not include any Railroad Retirement Benefits (RRB-1099-R). If you're domiciled in Oregon, you must also include any Oregon source pensions you received. This is true even though you may qualify as a nonresident under the tests for special case Oregon residents or Oregon residents living abroad. See page 4.

For example, if you lived in Oregon before you retired **and have not changed your permanent home to another state**, you must report the pension you earned while you worked in Oregon. If you get a federal pension, you may qualify for a subtraction on lines 37F and 37S. See page 21. If you need help, please contact us.

**18S Rents, royalties, partnerships, limited liability companies, real estate investment trusts (REITs), estates, trusts, etc., from federal Schedule E.** Deter-

mine the income you received and losses incurred from Oregon sources during the part of the year you were a nonresident. Add the amount received or incurred during the part of the year you were an Oregon resident. Partners and S corporation shareholders may need more information. If so, please contact us.

**19S Farm income or loss.** Determine the amount of income received or loss incurred from an Oregon farm while you were a nonresident. Add the amount of farm income received or loss incurred during the part of the year you were an Oregon resident.

**20S Unemployment compensation, taxable Social Security, and all other taxable income.** Determine the amount of unemployment compensation and any other taxable income you received during the part of the year you were an Oregon resident. Add unemployment compensation or severance pay received because of an Oregon job, and any other Oregon source income you received while you were a nonresident. Don't include Social Security, Railroad Retirement Board benefits, or Railroad Retirement Board unemployment benefits; Oregon doesn't tax this income.

Include all payments received from the Oregon Lottery in the Oregon column. Oregon Lottery includes Powerball tickets you purchased in Oregon. To determine whether you can subtract some or all of this amount on lines 37F and 37S, see page 23.

## Adjustments to income

**22S IRA or self-employed SEP and SIMPLE contributions.** Oregon follows the federal definition of earned income and compensation used to calculate your IRA and other retirement plan deductions. Determine the amount you paid during the part of the year you were an Oregon resident. Add the amount calculated for the time you were a nonresident.

- **IRA.** Use the following formula to determine your deduction for the part of the year you were a nonresident:

$$\frac{\text{Oregon compensation while a nonresident}}{\text{Total compensation while a nonresident}} \times \text{IRA contributions made while a nonresident} = \text{Nonresident deduction}$$

This deduction cannot be more than the amount of Oregon compensation included in the Oregon column.

- **Self-employed SEP, SIMPLE, and qualified plans.** Use the following formula to determine your allowable deduction for the part of the year you were a nonresident:

$$\frac{\text{Oregon earned income while a nonresident}}{\text{Total earned income while a nonresident}} \times \text{Contributions made while a nonresident} = \text{Nonresident deduction}$$

This deduction cannot be more than the amount of earned income included in the Oregon column.

**23S Education deductions.** The following instructions will help you figure the amount you can claim on your Oregon return.

- **Student loan interest deduction** from federal Form 1040, line 33; or Form 1040A, line 18.

Use the following formula to calculate your deduction for any part of the year you were a nonresident:

$$\frac{\text{Oregon source income while a nonresident}}{\text{Total income from all sources while a nonresident}} \times \frac{\text{Student loan interest paid while a nonresident}}{\text{Nonresident deduction}} = \text{Nonresident deduction}$$

Add all interest paid during the part of the year you were an Oregon resident. Enter the result or the amount on line 23F, whichever is less.

**24S Moving expenses.** Fill in moving expenses only if:

- You qualified to take them on your federal return, and
- They are connected with gaining employment in Oregon, or
- You paid the qualified moving expenses after moving to Oregon to take a job in another state.

Otherwise, enter -0-.

**Example 1:** Sofia moved from California to Washington to take a job in Oregon. She may claim her federal moving expenses in **both** the federal and the Oregon columns.

**Example 2:** David left Oregon to take a job in another state. He **cannot** claim any of his moving expenses in the Oregon column. He may **only** claim them in the federal column.

**Example 3:** Camille moved from Michigan to Oregon in May 2006, to begin work in Washington. She paid her moving expenses in June 2006. While the expenses are not related to Oregon employment, Camille can claim them in both columns because they were paid after she became an Oregon resident.

**25S Deduction for self-employment tax.** Use the following formula to determine the amount of your self-employment tax on earnings taxed by Oregon:

$$\frac{\text{Self-employment earnings taxed by Oregon}}{\text{Total self-employment earnings}} \times \frac{\text{Federal deduction for self-employment tax}}{\text{Oregon deduction}} = \text{Oregon deduction}$$

The Oregon deduction cannot be more than the federal deduction.

**26S Self-employed health insurance deduction.** Oregon allows a deduction of 100 percent of your health insurance premiums related to your self-employment for the part of the year you were an Ore-

gon resident. Add the health insurance premiums paid by your Oregon business while a nonresident. Your total Oregon deduction cannot be more than your federal deduction.

**27S Alimony paid.** Determine if the alimony you paid to your former spouse is deductible for federal purposes. If so, figure the Oregon deduction as follows for the part of the year you were not an Oregon resident:

$$\frac{\text{Oregon source income while a nonresident}}{\text{Total income while a nonresident}} \times \text{Alimony paid while a nonresident} = \text{Nonresident deduction}$$

Add to that amount the alimony you paid while you were a resident.

**28F/S Other adjustments to income.** On line 28F (federal column), include any of the other adjustments, listed below, that you claimed on your federal return. On line 28S (Oregon column), enter the amount of other adjustments you're entitled to claim for Oregon. Please identify the other adjustment(s) using the numeric code shown in brackets. For example, if you're claiming a \$500 health savings account deduction on your federal return, enter "003" on line 28a and "\$500" on line 28b. If you're claiming more than one "other adjustment," attach a statement to your return with the numeric codes and amounts for the **federal** column of the adjustments that don't fit on the return. Add line 28b and the adjustments on the statement and enter the total on line 28F. Determine the amount for Oregon and enter it on line 28S. Number the statement. Write "See Stmt" and the statement number in the space next to total adjustments, line 29F. Example: Write "See Stmt 3" for statement number 3.

"Other adjustments" claimed on federal return:

- Archer MSA deduction from federal Form 1040, line 23 [code 007].
- Certain business expenses of reservists, performing artists, and fee-basis government officials from federal Form 1040, line 24 [code 002].
- Domestic production activities deduction from federal Form 1040, line 35 [code 006].

**Note:** If you claimed a domestic production activities deduction on your federal return, you will have an addition on your Oregon return. Oregon does not allow this deduction. See page 21.

- Health savings account deduction from federal Form 1040, line 25 [code 003].
- Jury duty pay you gave to your employer from federal Form 1040, line 34 [code 008].
- Penalty on early withdrawal of savings from federal Form 1040, line 30 [code 004].
- Any other adjustment to income reported on federal Form 1040, line 36 [code 005].

## Additions

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

**31F/S Interest and dividends on state and local government bonds outside Oregon.**

**Federal column.** If you didn't include this income in your federal income, fill in the amount of interest and dividends you received from state and local governments outside Oregon.

**Oregon column. Nonresidents**—don't fill in any amount. **Full-year and part-year residents**—if you didn't include this income on line 9S or 10S, fill in the amount of interest and dividends you received from state and local governments outside Oregon while you were an Oregon resident.

**32F/S Federal election on interest and dividends of a minor child.** Did you report interest or dividends of your minor child on your federal return? If so, you must add the amount subject to the special federal tax to Oregon income.

**Federal column.** Fill in the smaller of line 13 or 14 from federal Form 8814. Add any interest or dividends your child received from state and local governments outside Oregon.

**Oregon column. Nonresidents**—don't fill in any amount. **Full-year and part-year residents**—fill in interest and dividends received while the minor child was an Oregon resident. Include interest and dividends your child received while an Oregon resident from state and local governments other than Oregon.

**33F/S 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 numeric code on line 33a and the amount for the **federal** column on line 33b. For example, if you're reporting a \$1,000 addition for a depreciation difference for Oregon, enter "101" on line 33a and "\$1,000" on line 33b. If you're reporting two additions, enter the second numeric code on line 33c and the amount for the federal column on line 33d.

If you're claiming more than two "other additions," attach a statement to your return with the numeric codes and amounts for the **federal** column of the additions that don't fit on the return. Add lines 33b, 33d, and the addition amounts on the statement and enter the total on line 33F. Determine the amount for Oregon and enter it on line 33S. Number the statement. Write "See Stmt" and the statement number in the space next to total additions, line 34F. Example: Write "See Stmt 3" for statement number 3. For more information, go to our website, or contact us.

- **Depreciation difference for Oregon [code 101].** Is your depreciation for Oregon purposes different from

your depreciation for federal purposes? If so, you'll need the Oregon Depreciation Schedule. Part-year residents and nonresidents may need to complete two depreciation schedules. Download the schedule from our website or contact us to order it.

- The following additions apply to only a few people and are not explained in this booklet. Make the additions in **both** the federal and Oregon columns as appropriate. For more information, please contact us.
  - 529 Oregon College Savings Network plan non-qualified withdrawal [code 117].
  - Basis adjustments [code 101].
    - Gain or loss on the sale of depreciable property with different basis for Oregon.
    - Passive activity 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 [code 113].
  - Itemized or business deduction addback for Oregon credits [code 104].
    - Contributions to: Child Care Fund, Oregon Cultural Trust, Oregon Production Investment Fund and university development fund.
    - Long-term care insurance premiums.
  - Net operating loss, non-Oregon source [code 116].
  - Oregon deferral of reinvested capital gain [code 118].
  - Partnership and S corporation modifications for Oregon [code 119].
  - Specially taxed income under federal law [code 115].
    - Lump-sum distributions from a qualified retirement plan.
    - Passive foreign investment 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.

**36F Social Security and tier 1 Railroad Retirement Board benefits.** Subtract Social Security and tier 1 Railroad Retirement Board benefits **only** if you included them in the federal column on line 20F.

**37F/S Other subtractions.** You may qualify for one or more other subtractions explained in this section. Please identify the subtraction(s) using the numer-

ic code shown in brackets. Enter the numeric code on line 37a and the amount for the **federal** column on line 37b. For example, if you're claiming a \$2,000 military pay subtraction, enter "319" on line 37a and "\$2,000" on line 37b. If you're claiming two subtractions, enter the second numeric code on line 37c and the amount for the federal column on line 37d.

If you're claiming more than two "other subtractions," attach a statement to your return with the numeric codes and amounts for the **federal** column of the subtractions that don't fit on the return. Add lines 37b, 37d, and the subtractions on the statement and enter the total on line 37F. Determine the amount for Oregon and enter it on line 37S. Number the statement. Write "See Stmt" and the statement number in the space next to income after subtractions, line 38F. Example: Write "See Stmt 3" for statement number 3. For more information, go to our website or contact us.

- **Claim of right income repayments [code 302].** Were you taxed in a prior year on income that you're repaying, such as unemployment compensation? If so, you may be able to subtract the income you repaid. For more information, please contact us.
- **Depreciation difference for Oregon [code 304].** Is your depreciation for Oregon purposes different from your depreciation for federal purposes? If so, you'll need the Oregon Depreciation Schedule. Part-year residents and nonresidents may need two schedules. Download the schedule from our website or contact us to order it.
- **Federal pension income [code 307].** You may be able to subtract some or all of your 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,** you will subtract a percentage of the taxable federal pension income you reported on your federal return. To determine your percentage, divide your months of service before October 1, 1991, by your total months of service. Round to three places (example:  $.4576 = 45.8$  percent). Once you determine the percentage, it will remain the same year to year. For more than one pension, figure the percentage and subtraction separately for each pension.

**Example:** Delaney began working for the U.S. Forest Service May 27, 1971, and retired January 7, 2005. She worked 244 months before October 1, 1991, and a total of 403 months. Delaney moved to Oregon May 31,

2006. She can subtract 60.5 percent ( $244 \div 403$ ) of her taxable federal pension. She will use this percentage for both her federal column and her Oregon column. She will multiply the percentage by the amount in each column to determine the correct subtraction for each column. She will continue to subtract 60.5 percent of her taxable federal pension in future years.

Use the following worksheet to determine your subtraction amount for each column:

#### Federal column

- |  |          |
|--|----------|
| 1. Federal pension included in federal column, Form 40N or Form 40P, line 17F.   | 1. _____ |
| 2. Divide months of service before October 1, 1991, by total months of service. Enter the percentage here.   | 2. _____ |
| 3. Multiply line 1 by line 2. Enter here and on Form 40N or Form 40P, line 37b. Also enter "307" in box 37a and remember to carry the total of all subtractions to line 37F. | 3. _____ |

#### Oregon column

- |   |          |
|---|----------|
| 4. Federal pension included in Oregon column, Form 40N or Form 40P, line 17S.   | 4. _____ |
| 5. Percentage from line 2, above.   | 5. _____ |
| 6. Multiply line 4 by line 5. Enter here and on Form 40N or Form 40P, line 37S. | 6. _____ |

To avoid processing delays or adjustments, make sure your federal pension income is on the correct line and attach a copy of your federal return.

#### • Interest and dividends on U.S. bonds and notes [code 315].

**Federal column.** On Form 40N or Form 40P, line 37F, fill in interest and dividends from the U.S. government that you included on lines 9F and 10F. Add U.S. government interest and dividends you received through partnerships or grantor trusts. Enter "315" in box 37a and the amount in box 37b.

#### Examples:

- You can subtract interest from U.S. Series EE, HH, and I bonds and Treasury bills and notes.
- You can subtract interest and dividends paid to you by organizations that invest in U.S. government securities. Check the information on your Form 1099. The payer may have given the percentage of interest and dividends from U.S. government securities. Download the publication *Interest and Dividends on U.S. Bonds and Notes* from our website or contact us to order it.

- You must reduce U.S. government interest by any interest expense relating to U.S. government obligations you deducted on your federal Schedule A.
- Don't include interest on federal tax refunds in either column.
- If you reported interest or dividends of your minor child on your federal return, you may subtract any U.S. government interest included.

**Oregon column.** If you included interest and dividends from the U.S. government on lines 9S and 10S of the Oregon column, enter the amount on line 37S.

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

#### • Interest from local government bond [code 317].

**Federal column.** The U.S. government taxes certain types of local government bond interest such as private activity bond interest. If you included interest from Oregon bonds on your federal return, enter "317" in box 37a and the amount in box 37b. Remember to carry total subtractions to line 37F.

**Oregon column.** On line 37S, enter Oregon local government bond interest if you included it in Oregon income on line 9S.

#### • Military active duty [code 319]. Did you report U.S. military pay in income on line 8F or 8S? If so, you may qualify for a subtraction.

The Servicemembers Civil Relief Act was signed into federal law on December 19, 2003. According to the act, military pay received by a nonresident, or by a part-year resident while a nonresident of Oregon, cannot be used to compute Oregon tax. This is retroactive and you may be able to amend your prior year return. See *Oregon Amended Schedule* for time limits.

**Federal column. Nonresidents**—you can subtract all your military pay from the wages you reported in the federal column on line 8F.

**Full-year and part-year residents**—you can subtract the following from the wages you reported in the federal column on line 8F:

- All military pay received during the part of the year you were a nonresident, and
- All active duty pay earned outside Oregon during the part of the year you were a resident, and
- Up to \$3,000 active duty pay earned in Oregon during the part of the year you were a resident.

*If you're a member of the Oregon National Guard, you may be eligible for an additional active duty pay subtraction. See the top of page 23.*

**Oregon column. Nonresidents**—don't enter any amount. Military pay of a nonresident is not Oregon source income and should not be reported on line 8S. There is nothing to subtract.

**Full-year and part-year residents**—you can subtract the following from the wages you reported in the Oregon column on line 8S:

- All active duty pay earned outside Oregon during the part of the year you were a resident, and
- Up to \$3,000 active duty pay earned in Oregon during the part of the year you were a resident.

You may be eligible for an additional active duty pay subtraction if you meet **all** of the following conditions:

- You were an Oregon resident at any time since 2001, and
- You served as a member of the Oregon National Guard under U.S. Code Title 32, and
- You were called to active duty status under U.S. Code Title 10, and
- You were stationed in Oregon.

If you meet **all** the conditions above, you can subtract all of the Oregon National Guard active duty pay you earned while you served under Title 10 in Oregon. You can subtract the amount from both the federal and Oregon columns. 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.

**Note:** Your military pay subtractions in each column cannot be more than your total military pay included in that column.

- **Oregon Lottery winnings [code 322].** Oregon does not tax Oregon Lottery winnings of \$600 or less per ticket; however, the federal government does. Oregon Lottery includes Powerball tickets you purchased in Oregon, but does not include winnings from tribal gaming centers in Oregon.

**Federal column and Oregon column.** You can subtract the following from the winnings you reported on lines 20F and 20S:

- Oregon Lottery winnings of \$600 or less from each single ticket or play, and
- Oregon Lottery annual payments from tickets purchased prior to 1998.

**Example 1:** Cheryl had winnings of \$200 playing an Oregon Lottery scratch-off ticket in 2006. This income is included on lines 20F and 20S. 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 from both columns of her return.

**Example 2:** David won two prizes in 2006—\$1,000 playing Oregon Lottery video poker and \$500 playing an Oregon Lottery Keno game. David must include \$1,500 on lines 20F and 20S, however, Oregon will not tax the \$500 he won playing Keno. He can subtract \$500 on his Oregon return in both columns because

the winnings were from a single game and below the \$600 limit. He cannot subtract any of the \$1,000 he won playing video poker, because the prize was more than \$600 and is fully taxable to Oregon.

**Note:** Are you claiming gambling losses as an itemized deduction? If so, you may need to reduce your deduction. See instructions for Form 40N or Form 40P, line 46, page 26. If you need help, please contact us.

- **Oregon income tax refund included in federal income [code 325].** This subtraction is for Oregon state income tax refunds only. Do not include other local, county, or other states' tax refunds.

**Federal column.** Enter your Oregon state income tax refund **only** if you included it on line 11F of the federal column.

**Oregon column.** Enter your Oregon state income tax refund **only** if you included it on line 11S of the Oregon column.

- **Railroad Retirement Board benefits [code 330].**

**Federal column.** Enter your tier 2, supplemental, windfall, and vested dual Railroad Retirement Board benefits included on line 17F. Add railroad unemployment benefits from line 20F.

**Oregon column.** Don't enter any amount. Oregon does not tax Railroad Retirement Board benefits or Railroad Retirement Board unemployment benefits.

- **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. Make the subtraction in **both** the federal and Oregon columns as needed if you included the related income in both columns. Enter the code and amount for the federal column in boxes 37a through 37d. See page 21 for instructions if you have more than two "other subtractions." For more information, go to our website or contact us.

- 529 Oregon College Savings plan [code 324].
- American Indian [code 300].
- Basis adjustments [code 304].
  - Gain or loss on the sale of depreciable property with a different basis for Oregon.
  - Passive activity losses.
  - Suspended losses.
- Capital Construction Fund (CCF) [code 339].
- Composite return (Form 40N only) [code 341].
- Construction worker and logger commuting expenses [code 303].
- Domestic partner benefits [code 305].
- Federal business credits [code 340].
- Federal gain previously taxed by Oregon [code 306].
- Fiduciary adjustments from Oregon estates and trusts [code 310].
- Film production labor rebate [code 336].

- Hurricane Katrina Housing [code 337].
- Individual Development Account [code 314].
- IRA conversions previously taxed [code 327].
- Land donation to educational institutions [code 316].
- Mobile home park capital gain [code 338].
- 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].
- Scholarship awards used for housing expenses [code 333].
- Tsunami relief contributions-Federal law disconnect [code 334].
- U.S. government interest in IRA or Keogh distributions [code 331].

**39 Oregon percentage.** Divide the amount on line 38S by the amount on line 38F. Round the decimal to three places. Write the result as a percentage on line 39. **Don't fill in more than 100 percent or less than -0-.**

Example	Line 38S	Line 38F	Oregon percentage Line 39
1	\$8,000	÷ \$30,000	= .266666 Round to .267 (26.7%)
2	(1,000)	÷ 15,000	= -0- (0%)
3	20,000	÷ 15,000	= 1.333 Limited to 1.000 (100.0%)

If the amount on line 38S is **greater than** the amount on line 38F, your Oregon percentage is 100 percent. This is true even when line 38F is a negative number.

## Deductions and modifications

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

If you claim itemized deductions fill in lines 41–43. If you claim the standard deduction fill in line 44 instead.

**Note:** If you're married filing separately and one spouse itemizes, both spouses must itemize deductions. Are you filing separate returns for Oregon only? If so, determine your share of itemized deductions by multiplying your total joint deductions by the percentage you figured on page 16 or you can separate each spouse's itemized deductions if you can clearly identify your own itemized deductions.

**41 Itemized deductions.** You can claim your total itemized deductions after federal limitations 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. Use your federal adjusted gross income to figure the Schedule A limitations. Be sure to include your state taxes even when itemizing for Oregon only, then subtract your Oregon state income tax on line 42. Remember to keep Schedule A with your tax records.

**42 State income tax claimed as an itemized deduction.** Write the amount of Oregon state income tax you claimed as an itemized deduction on federal Schedule A, line 5. Do not include local or county income tax amounts.

Are you claiming a 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 instructions on Form 40N, line 56 or Form 40P, line 55, see page 28.

Did you limit itemized deductions on your federal return because your adjusted gross income (AGI) was more than \$150,500 (\$75,250 if married filing separately)? If so, you may need to complete a worksheet to figure the correct amount of Oregon income tax to subtract from itemized deductions. Download the publication *Itemized Deductions Limit* from our website or to order it, see page 40.

**44 Standard deduction.** Generally, your standard deduction is based on your filing status, as follows:

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

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

1. Are you:      65 or older?    Blind?

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

2.

If your filing status is...	And the number of boxes checked in step 1 is...	Then your standard deduction is...
Single	1	\$ 3,040
	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 40N or Form 40P, line 44.

**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 as shown on page 24; or
- \$850.

The limit applies even if you can be claimed as a dependent on another person's return, but are not claimed by the other person.

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're blind, enter \$1,200.   | 9. _____        |
| 10. Add lines 7, 8, and 9. Enter the total here and on Form 40N or Form 40P, line 44. This is your standard deduction. | 10. _____       |

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

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

**45** **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, the 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 40N or Form 40P, line 45.   | 5. _____ |

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

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

Your federal tax liability on line 45 plus your federal tax from a prior year and foreign tax on line 46 cannot exceed \$5,000 (\$2,500 if married filing separately).

If you're married filing separately for Oregon only, multiply your joint federal tax liability (after credits) by the percentage calculated on page 16. Each spouse is limited to a maximum subtraction of \$2,500.

**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, read the instructions for Form 40N or Form 40P, line 46.

**46** **Other deductions and modifications.** Only a few people have other deductions and modifications. Please identify the deduction or modification using the numeric code shown in brackets. For example, if you're reporting a foreign tax deduction, enter "603" on line 46a and the amount on line 46b. If you have more than one, attach a statement to your return that identifies the deductions or modifications. Modifications can be either additions or subtractions. Enter the total amount of these items on line 46. If the net amount is an addition, please clearly bracket it. For example, "[200]."

• **Artists who make a charitable art donation (part-year residents only) [code 600].** Download the publication *Artist's Charitable Contribution Subtraction* from our website or contact us to order it. **Nonresidents**, see Form 40N, line 48 instructions on page 26.

• **Federal income tax refunds [code 601].** Did you get a federal tax refund in 2006 because you were audited or amended a prior year return? If so and you sub-

tracted that amount on a prior Oregon return, fill in and clearly bracket this addition on line 46.

- **Federal tax from a prior year [code 602].** Did you pay additional federal tax in 2006 because you were audited or amended a prior year's return? If so, you may be able to deduct the additional tax. This deduction applies only to additional tax you paid because your return was changed. It doesn't include the tax from the original return or interest or penalties you paid.

Use the following worksheet to figure your deduction 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 40N or Form 40P, line 45. 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 40N or Form 40P, line 46. 5. \_\_\_\_\_

- **Foreign tax [code 603].** Did you pay tax to a foreign country in 2006? You may deduct this tax if you:

- Took a foreign tax credit on your federal return, **or**
- Didn't take a foreign tax credit **and** didn't itemize deductions on your federal return.

This subtraction is limited to \$3,000 (\$1,500 if married filing separately).

For more information, go to our website or contact us.

- **Gambling losses claimed as an itemized deduction [code 604].** Did you have winnings from the Oregon Lottery and claim gambling losses on your federal Schedule A? If so, fill in and clearly bracket, on line 46, the addition for the gambling losses claimed as an itemized deduction that exceed gambling winnings taxed by Oregon.

- **Income in respect of a decedent [code 605].** If you claimed a deduction for federal estate tax, you may have a modification. For more information, please contact us.

- **Mortgage interest credit [code 607].** If you claimed the mortgage interest credit on your federal return and you are itemizing deductions on your Oregon return, you may have a deduction. For more information, please contact us.

- **Special Oregon medical deduction [code 606].** 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.

**Form 40N 47 Allowable deductions and modifications.** Complete the worksheet below to determine the deductions and modifications you're entitled to claim.

1. Enter amount from either Form 40N, line 43; or Form 40N, line 44, whichever is larger. 1. \_\_\_\_\_
2. Enter amount from Form 40N, line 45. 2. \_\_\_\_\_
3. Enter amount from Form 40N, line 46. 3. \_\_\_\_\_
4. Add together amounts from lines 1, 2, and 3 above. Enter result here. 4. \_\_\_\_\_
5. Enter your Oregon percentage from Form 40N, line 39, here. 5. \_\_\_\_\_
6. Multiply the amount from line 4 by the amount on line 5 above. Enter result here and on Form 40N, line 47. 6. \_\_\_\_\_

**Form 40N 48 Deductions and modifications not multiplied by Oregon percentage.**

- **Artists who make a charitable art donation [code 600].** Artists who make a charitable art donation may take a full deduction. Download the publication *Artist's Charitable Contribution Subtraction* from our website or contact us to order it.

## 2006 Tax Rate Charts

### **S** Tax Rate Chart For persons filing

#### Single or married filing separately

If your taxable income is:	Your tax is:
Not over \$2,750.....	5% of taxable income
Over \$2,750 but ..... not over \$6,850	\$138 plus 7% of the excess over \$2,750
Over \$6,850.....	\$425 plus 9% of the excess over \$6,850

### **J** Tax Rate Chart For persons filing

#### Jointly, head of household, or qualifying widow(er) with dependent child

If your taxable income is:	Your tax is:
Not over \$5,500.....	5% of taxable income
Over \$5,500 but ..... not over \$13,700	\$275 plus 7% of the excess over \$5,500
Over \$13,700.....	\$849 plus 9% of the excess over \$13,700

## Oregon tax

Form 40N **51**

Form 40P **49**

### Tax from tax rate charts.

Figure the tax on your taxable income, Form 40N, line 50; or Form 40P, line 48. If you use the farm income averaging method or the farm asset capital gain method, see below. If not, go to the tax rate charts on page 26. Enter your tax amount on Form 40N, line 51 and check box 51a; or Form 40P, line 49. Please double-check that the tax you entered is correct.

**Example:** A married couple's Oregon taxable income is \$29,500. They are filing jointly. They will use chart J for married filing jointly. They figure their tax like this:

<b>Chart J</b>	
Oregon taxable income	\$29,500
Subtract	- 13,700
	15,800
Multiply by 9%	× .09
	1,422
Then add	+ 849
Their Oregon tax is	\$2,271

Form 40N **51**

Form 40P **50**

### Tax from farm income averaging method 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 to compute your Oregon tax even if you didn't use farm income averaging on your federal return. Only Oregon source farm income is considered elected farm income.

Use Form FIA-40N, *Oregon Farm Income Averaging for Nonresidents*, or Form FIA-40P, *Oregon Farm Income Averaging for Part-Year Residents*, to calculate your tax on your farm income and your other Oregon income. Download the form from our website or to order it, see page 40.

1. Form 40N: Enter the tax amount from Form FIA-40N, line 19, on Form 40N, line 51, and check box 51b.

Form 40P: Enter the tax amount from Form FIA-40P, line 18, on Form 40P, line 50, and check box 50a.

2. Attach a copy of Form FIA-40N or Form FIA-40P or Worksheet FCG 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 where 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 of the sale or exchange.

Use Worksheet FCG, *Farm Liquidation Long-Term Capital Gain Tax Rate*, to calculate tax on your net farm capital gain and your other Oregon income. Download the worksheet from our website or contact us to order it.

**Nonresidents.** Enter the tax amount from Worksheet FCG, line 7, on Form 40N, line 51. **Check box 51c labeled "Worksheet FCG."** Do not attach a copy of Worksheet FCG to your return. Keep a copy with your records.

**Part-year residents.** Enter the tax amount from Worksheet FCG, line 8, on Form 40P, line 50. **Check box 50b labeled "Worksheet FCG."** Do not attach a copy of Worksheet FCG to your return. Keep a copy with your records.

**Note:** Form 40P filers using Form FIA-40P or Worksheet FCG do not enter an amount on Form 40P, line 49.

**52 Interest on certain installment sales.** Did you have installment sales that required you 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 way as for federal. The interest rate for 2006 is 7 percent per year (0.583 percent per month).

**Nonresidents.** Use only those installment obligations from dispositions of Oregon property while you were a nonresident of Oregon.

## Credits—Non-refundable

Non-refundable credits cannot be more than your Oregon tax liability. Some credits have a carryforward provision that allows you to use the remaining balance in the next year. Use credits that cannot be carried forward first. You must prorate some Oregon credits on your return as shown with an asterisk (\*). This means you need to multiply your total credit by your Oregon percentage, line 39, to figure the amount you can claim on your Oregon return.

Form 40N **55**

Form 40P **54**

### 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. You must prorate this credit. Use the following worksheet to figure your credit for Oregon:

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

- Multiply the amount on line 1 by the decimal on line 2. Enter here. 3. \_\_\_\_\_
- Multiply line 3 by the Oregon percentage from Form 40N or Form 40P, line 39. Enter the result here and on Form 40N, line 55 or Form 40P, line 54. 4. \_\_\_\_\_

**Did you pay 2005 child care expenses in 2006?** If so, multiply your 2005 expenses paid in 2006 that are included in the computation of your federal credit by the decimal amount that applies to your 2005 federal taxable income.

Multiply this amount by the Oregon percentage from your 2005 return. Enter the result on Form 40N, line 55 or Form 40P, line 54. If you need help, please contact us.

**Carryforward.** 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 over the next five years. If the excess isn't used within five years, it's lost. See instructions on page 29.



**Credit for income taxes paid to another state.**

If you paid 2006 income tax to another state or U.S. territory on income also taxed by Oregon, you may be able to claim a credit.

You must claim the credit on your nonresident return or your part-year resident return for the part of the year you were a nonresident if the income is taxed by both Oregon and one of the following states: Arizona, California, Indiana, or Virginia. See our website for links to other states' tax websites.

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

If you're a shareholder in an Oregon S corporation that paid taxes to another state, you may qualify for this credit. Download the publication *Credit for Income Taxes Paid to Another State* from our website or to order it, see page 40.

Your credit is the **smallest** of the following:

- Your 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 Formula 1, below.
- The amount figured using Formula 2, below.

**Formula 1:** Divide your modified adjusted gross income (MAGI) taxed by **both** states by your total MAGI, which is your income on Form 40P or Form 40N, line 38S. Multiply the result by your Oregon tax after all other credits. The result can't be more than your Oregon tax after credits.

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

**Formula 2:** Divide your MAGI taxed by **both** states by your total income on the other state's return. Multiply the result by the other state's tax after all other credits. "Total income" means income before subtracting itemized deductions and exemptions. The result can't be more than the other state's tax after credits.

$$\frac{\text{Your MAGI taxed by both states}}{\text{Your total income on the other state's return}} \times \text{Your other state's tax after all other credits}$$

Enter the credit amount on Form 40N, line 56 or Form 40P, line 55, and identify the other state on Form 40N, line 56a or Form 40P, line 55a. If you're 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 Form 40N, box 56a, or Form 40P, box 55a. Enter the total for all states on Form 40N, line 56, or Form 40P, line 55.

**Caution:** You can't claim this credit and also benefit from the itemized deduction for the tax paid to the other state. If you claim the tax as an itemized deduction, include the other state's 2006 net tax liability or the 2006 tax claimed as an itemized deduction, whichever is less, on Form 40N or Form 40P, line 42.

If the credit for income taxes paid to another state is based on a tax liability that is 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.**

You may be allowed to use this credit even if Oregon and another state tax the same income in different years. For more information, please contact us.



**Other credits.** You may qualify for other non-refundable credits.

Please identify the credit(s) using the numeric code shown in brackets. Enter the numeric code on Form 40N, line 57a or Form 40P, line 56a and the amount on

Form 40N, line 57b, or Form 40P, line 56b. For example, if you're a part-year resident claiming a \$50 political contribution credit, enter "723" on Form 40P, line 56a and enter "\$50" on Form 40P, line 56b. If you're claiming two credits, enter the second numeric code on Form 40N, line 57c, or Form 40P, line 56c, and the amount on Form 40N, line 57d or Form 40P, line 56d. If you're claiming more than two, attach a statement to your return that identifies the "other credits" and the dollar amounts. Fill in the total amount of "other credits" on Form 40N, line 57 or Form 40P, line 56.

• **Child and dependent care carry forward [code 704].**

Enter the amount of unused credit from a prior year on Form 40N, line 57 or Form 40P, line 56. The prior year carryforward plus your current year's credit can't be more than your Oregon tax liability. You can carry forward this unused credit for five years from the year the credit was claimed. If the carryforward isn't used within five years, it's lost.

• **Elderly or the disabled [code 709].\*** The Oregon credit is 40 percent of your federal credit. You can claim an Oregon credit **only** if you qualify for the federal credit. Multiply the amount from federal Form 1040, Schedule R, line 20; or Form 1040A, Schedule 3, line 20, by 40 percent (.40). Then multiply the result by the Oregon percentage on Form 40N or Form 40P, line 39. You can claim this credit or the retirement income credit, but **not** both.

• **Political contribution [code 723].** Fill in your total political contributions, but not more than \$100 on a joint return or \$50 on all others. You must have contributed money 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.

• **Retirement income [code 730].** If you were age 62 or older on December 31, 2006, and receiving retirement income, you may qualify for a credit. You qualify for this 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).

If you think you qualify, contact us for more information.

• The following credits apply to only a few people. 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].\*
- Individual Development Account (IDA) donation [code 715].
- IDA withdrawal for home purchase [code 738].
- Involuntary move of a mobile home from Schedule MH—non-refundable [code 741].
- Long-term care insurance premiums [code 716].\*
- Loss of use of limbs [code 717].
- 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 Cultural Trust [code 722].\*
- Oregon Production Investment Fund [code 737].
- Pollution control facilities [code 724].
- Reforestation of underproductive forestlands [code 727].
- Reservation enterprise zone [code 728].\*
- Residential energy [code 729].\*
- Riparian land [code 735].\*
- Rural EMTs [code 742].\*
- Rural medical practitioners [code 731].\*
- University venture fund [code 739].\*
- Water transit vessel [code 740].\*

\*Prorated credit (multiplied by Oregon percentage).

## Tax payments and refundable credits



**Oregon income tax withheld from income.**

Fill in the total Oregon tax withheld from your wages and other income shown on your Form(s) W-2 or 1099. Don't use the FICA (Social Security) tax withheld from your pay. **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 Oregon tax withheld. Proof may include 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.



**Estimated tax payments for 2006 and payments made with**

**your extension.** Fill in the total Oregon estimated tax payments you made before filing your 2006 Oregon return. Include any payments 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.



**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. You must prorate this credit. Your Oregon credit is 5 percent of your federal credit multiplied by your Oregon percentage. For example, if your federal credit is \$2,500, your Oregon credit is \$125 (\$2,500 × .05) multiplied by your Oregon percentage from Form 40N or Form 40P, line 39.

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% (.05). Enter the result here. 2. \_\_\_\_\_
3. Multiply line 2 by the Oregon percentage (Form 40N or Form 40P, line 39). Enter the result here and on Form 40N, line 62 or Form 40P, line 61. 3. \_\_\_\_\_

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



**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 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 see if you qualify, go to page 35. Attach Schedule WFC-N/P to your return.



**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 40N, line 57, or Form 40P, line 56, 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**



**Penalty and interest for filing or paying late.**

Your tax is due April 16, 2007. Your return is also due April 16, 2007, unless you file for an extension by that date.

**Penalty.** Include a penalty payment if you:

- Mail your tax payment after April 16 (even if you have an extension to file), or
- 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 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 unpaid tax.

**Exception:** You don't have to pay a penalty if you do **all** of the following:

1. Get an extension of time 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 when you file or within 30 days of our billing date.

**Interest.** If you're 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, 2007, through May 16, 2007, is a full month interest period. The 2007 interest rate is 9 percent per year (0.0075 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 is not paid within 60 days of our bill, the interest rate increases to 13 percent per year.

**Note:** Do not calculate interest if you file late and expect a refund. It may delay processing of your refund.

**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 to order it, see page 40. If you have an underpayment or you meet an exception, you **must** file Form 10 with your return.

If you have an underpayment, check the box and enter the amount of interest due from Form 10 on Form 40N, line 69, or Form 40P, line 68. If you meet an exception, enter the exception number on Form 40N, line 69a, or Form 40P, line 68a. Attach Form 10 to your return.

**Amount you owe.** You can pay your tax 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 40N" or "2006 Oregon Form 40P" on your check.
- Please use **blue or black** ballpoint ink. Do not use gel ink or the color red.
- **Do not send cash or a postdated check.**
- Staple your payment and the Form 40-V payment voucher (see below) to your return on top of your Form(s) W-2 and 1099.

**Credit card payment**

You can now 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 both electronic and paper filers.

To pay your taxes by credit card, call toll-free or go to the website of the service provider listed below.

The service 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 either continue or cancel the transaction before entering your credit card information.

If you accept 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 toll-free 1-866-720-1327, or go to [www.officialpayments.com](http://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 the amount you do not pay with your return. For more information, please contact us.

**Special instructions.** Do you owe interest on Form 40N, line 69 or Form 40P, line 68 and have an overpayment on Form 40N, line 66, or Form 40P, line 65? If the interest you owe is more than your overpayment, you have an amount due. Form 40N: Subtract line 66 from line 69 and enter the result on line 71. Form 40P: Subtract line 65 from line 68 and enter the result on line 70.

## Form 40-V

For Oregon forms, please visit our website at [www.oregon.gov/DOR](http://www.oregon.gov/DOR) and click on "Tax Forms"

**Charitable donations.** If you don't have a refund but want to contribute to a charity listed on Form 40N or 40P, mail your donation to the charity's address shown on pages 32 or 33. Please do not mail your donation to the Department of Revenue.

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

**Form 40N 72** **Form 40P 71** **Refund.** You must have a refund on Form 40N, line 72 or Form 40P, line 71 to apply money to next year's estimated tax or to donate all or part of your refund to the charities listed.

**Form 40N 73** **Form 40P 72** **Estimated tax.** If you have a refund on Form 40N, line 72 or Form 40P, line 71, you may apply part or all of it to your 2007 estimated income tax. Fill in the amount you want to apply. Do not fill in more than the amount on Form 40N, line 72, or Form 40P, line 71.

## Charitable checkoffs

You may donate all or part of your refund to the charities listed here and on page 33. Donations will reduce your refund. You can donate to any or all of the charities on Form 40N, lines 74–79, or Form 40P, lines 73–78. You can also donate to **one** of the charities listed under the instructions for Form 40N, line 80 or Form 40P, line 79. Or, you can mail your donations directly to the addresses shown.

**Form 40N 74** **Form 40P 73** **Oregon Nongame Wildlife.** Your donation will fund the protection of nongame wildlife and its habitat.

Oregon Department of Fish and Wildlife  
3406 Cherry Avenue NE  
Salem OR 97303-4924

**Form 40N 75** **Form 40P 74** **Child Abuse Prevention.** Your donation will fund programs through the Children's Trust Fund to help prevent child abuse and neglect.

Children's Trust Fund of Oregon  
1410 SW Morrison Street, Suite 501  
Portland OR 97205

**Form 40N 76** **Form 40P 75** **Alzheimer's Disease Research.** Your donation will fund research of Alzheimer's and related dementias.

Layton Aging and Alzheimer's Disease Center  
3181 SW Sam Jackson Park Road CR131  
Portland OR 97239

**Form 40N 77** **Form 40P 76**

**Stop Domestic and Sexual Violence.** Your donation will fund programs through the Oregon Coalition Against Domestic and Sexual Violence.

OCADSV  
380 SE Spokane Street, Suite 100  
Portland OR 97202

**Form 40N 78** **Form 40P 77**

**AIDS/HIV Research, Education, and Services.** Your donation will fund AIDS/HIV research, education, and services by the Living With HIV Fund.

The Research & Education Group  
1650 NW Naito Parkway, Suite 185  
Portland OR 97209-8428

**Form 40N 79** **Form 40P 78**

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

Oregon Military Department  
PO Box 14350  
Salem OR 97309-5047

**Form 40N 80** **Form 40P 79**

**Other charity.** You may donate all or part of your refund to **one** of the following charities.

Enter the code of the charity on Form 40N, line 80a or Form 40P, line 79a. **Enter only one code.** Check the box for the amount you want to donate and write it on Form 40N, line 80, or Form 40P, line 79. If you want to donate to more than one charity listed below, you can mail your donations directly to the charities at the addresses shown.

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

Habitat for Humanity of Oregon  
3300 NW 185th, #214  
Portland OR 97229

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

Oregon Head Start Association  
221 B Street  
Springfield OR 97477

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



American Diabetes Association  
380 SE Spokane Street, Suite 110  
Portland OR 97202

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

Oregon Coast Aquarium  
2820 SE Ferry Slip Road  
Newport OR 97365

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

Oregon Children’s Foundation/SMART  
219 NW 12th Avenue, Suite 203  
Portland OR 97209

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

SOLV  
5193 NE Elam Young Parkway, Suite B  
Hillsboro OR 97124

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

St. Vincent de Paul Society of Oregon  
PO Box 24608  
Eugene OR 97402

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

The Nature Conservancy  
821 SE 14th Avenue  
Portland OR 97214

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

Doernbecher Children’s Hospital Foundation  
1121 SW Salmon, Suite 201  
Portland OR 97205-2021

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

The Oregon Humane Society  
PO Box 11364  
Portland OR 97211

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

The Salvation Army  
1785 NE Sandy Boulevard  
Portland OR 97232

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

Oregon Veterans’ Home Donations  
700 Summer Street NE  
Salem OR 97301-1285

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

Planned Parenthood of Oregon  
3231 SE 50th Avenue  
Portland OR 97206

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

Oregon Lions Sight & Hearing Foundation  
1410 SW Morrison Street, Suite 760  
Portland OR 97205

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

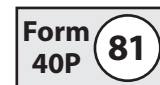
Shriners Hospitals for Children—Portland  
3101 SW Sam Jackson Park Road  
Portland OR 97239

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

Special Olympics Oregon  
5901 SW Macadam, Suite 100  
Portland OR 97239

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

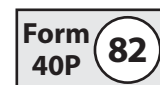
Susan G. Komen Breast Cancer Foundation  
Oregon & SW Washington Affiliate  
1400 SW 5th Avenue, Suite 530  
Portland OR 97201



**Net refund.** You must reduce your refund by any amounts applied to

2007 estimated tax and charitable checkoff donations. **The department cannot issue a refund if your return is filed more than three years after the due date of the return.**

## 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 correct 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 account number** 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, then write "By [your signature], parent (or other legal guardian) of minor child."

**Preparer signature.** Any person who prepares, advises, or assists in the preparation of 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 at 503-378-4034 (Salem) for licensed tax consultants and licensed tax preparers.
- State Board of Accountancy at 503-378-4181 (Salem) for public accountants and certified public accountants.

**License number.** Licensed 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 special order?

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

1. Start with Form 40N or Form 40P.
2. Staple Form(s) W-2 and any Form(s) 1099 showing Oregon tax withheld to the lower front of your Form 40N or Form 40P.
3. Staple your check or money order and completed Form 40-V payment voucher (page 31) on top of the

Form(s) W-2 and/or 1099. If 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 40N or Form 40P.
6. If applicable, place these items in the following order behind the federal form:
  - Schedule WFC-N/P, *Oregon Working Family Child Care Credit for Form 40N and Form 40P filers*. See page 36.
  - Oregon Form 10, *Underpayment of Oregon Estimated Tax*.
  - Proof required to claim credit for income taxes paid to another state. See page 28.
  - Oregon Form 24, *Like-Kind Exchanges/Involuntary Conversions*.
  - Form FIA-40N, *Oregon Farm Income Averaging for Nonresidents*, or Form FIA-40P, *Oregon Farm Income Averaging for Part-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 pages of your return together in the top left corner.

Be sure the second page of your return is the same form as the first page. *Example:* If you file Form 40N, be sure that "Page 2—2006 Form 40N" is printed at the top of the second page.

**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 you 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 a refund. By law, the Department of Revenue cannot issue a refund if your return is filed more than three years after the due date.

### Can I make payments?

If you can't pay in full now, we will work with you to set up a payment plan. File now and pay what you can. Write your daytime telephone number, tax year, and "2006 Oregon Form 40N" or "2006 Oregon Form 40P" on your check. Make sure you also use the payment voucher, Form 40-V, on page 31. Call the department as soon as possible to set up a payment plan. See page 40. If you do not call, collection activity may begin.

## 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 calculations and other figures**, including your Social Security number. The most common mistakes are math errors and the amount claimed for the federal tax subtraction. Please double-check the tax you figured. Errors will delay processing.

**If you have tax to pay**, read Form 40N, line 71, or Form 40P, line 70 instructions on page 31.

**Identify** other additions, other subtractions, and other credits as instructed.

**Verify your bank account information** if you're 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 lower front of your return.

**Staple a copy** of your federal return (front and back only) to your Oregon return. 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 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 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 from Oregon sources, 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-N/P, 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 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 for whom you can claim 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-N/P, *Oregon Working Family Child Care Credit for Form 40N and Form 40P filers*, on page 37. Attach this schedule to your return.

Example: Carl and Carrie moved from Arizona with their child in October 2006. They paid for child care and they both worked in both Arizona and Oregon. Carl and Carrie's wages after moving to Oregon are \$6,000. They have no other Oregon income. Carl and Carrie do not qualify for the Working Family Credit because their earned income from Oregon did not meet the minimum of \$7,100.

# Schedule WFC-N/P instructions for nonresidents and part-year 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.

## Household size calculation

Sched. WFC-N/P **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-N/P, line 5, on Form 40N, line 63a, or Form 40P, line 62a.

**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 they are Deb's qualifying children, she releases the dependent exemption for one child to Rusty. Both Rusty and Deb can claim the credit based on the qualifying child care expenses each paid. However, they must 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 are married and 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-N/P **6** - **9**

**Provider's full name and complete address.** Enter the child care provider's information in the space provided on Schedule WFC-N/P. If you have more than three providers during the year, 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 information, 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 pay your expenses with pre-tax dollars from an employer benefit plan, such as a cafeteria plan or flexible spending arrangement, and still qualify to claim this credit. 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 another 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. His 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. He can 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

## **Schedule WFC-N/P**

For Oregon forms, please visit our website at  
[www.oregon.gov/DOR](http://www.oregon.gov/DOR)  
and click on "Tax Forms"

## **Schedule WFC-N/P**

For Oregon forms, please visit our website at  
[www.oregon.gov/DOR](http://www.oregon.gov/DOR)  
and click on "Tax Forms"

for his son's kindergarten and child care. Of that total, \$500 is the contract price for child care, and \$250 for the child's education. Lee can only claim \$500 per month as qualifying child care. Lee's child attended the academy for four months during the year, so the amount he'll enter on line 6 is \$2,000.

**Example 5:** Cate receives 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, the state pays \$450, and Cate has a co-pay of \$150. She can only claim the amount she actually paid (\$150 per month). Cate's amount for line 6 will be \$1,800 for the entire year. She will not include non-qualifying expenses paid by the state.

**Proof of qualifying child care expenses.** To claim this credit, you must prove that you paid qualifying child care expenses. Acceptable proof includes, but is not limited to, copies of:

- Canceled checks, or
- Money order stubs, or
- Duplicate checks along with bank statements, and
- 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 while processing your tax return or at a later time. If you pay a relative to watch 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-N/P 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 below.

Enter the portion of the 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-N/P 15 - 17**

You must know your federal and Oregon adjusted gross income (AGI) to compute this credit. Enter the larger of your federal AGI (Form 40N or Form 40P, line 30F) or your Oregon AGI (Form 40N or Form 40P, line 30S) on Schedule WFC-N/P, line 17.

**Sched. WFC-N/P 18**

Enter the total qualifying expenses from Schedule WFC-N/P, line 9, on Schedule WFC-N/P, line 18. Also enter this amount on Form 40N, line 63b, or Form 40P, line 62b.

**Sched. WFC-N/P 19**

Use the table on the back of Schedule WFC-N/P (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 should apply to your qualifying expenses. Enter that percentage on Schedule WFC-N/P, line 19.

## Schedule WFC Relationship Codes

Son.....	S	Eligible foster child.....	EF
Daughter.....	D	Aunt .....	A
Stepson .....	SS	Uncle .....	U
Stepdaughter.....	SD	Cousin.....	CS
Grandchild .....	GC	Sister-in-law .....	SL
Niece .....	NC	Brother-in-law .....	BL
Nephew .....	NW	Other relative.....	O
Sister/Brother .....	SB	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](http://www.oregon.gov/DOR)



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- Get up-to-date tax information
- E-mail: [questions.dor@state.or.us](mailto: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](http://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

