

# Military personnel filing information



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[www.oregon.gov/DOR](http://www.oregon.gov/DOR)

Military personnel are usually considered to be domiciled in the state where they joined the service. Military assignment alone does not change domicile.

As a member of the armed forces, you may establish a new domicile during a tour of military duty if you meet certain requirements.

This information will help you decide how to file your Oregon individual income tax return.

## Nonresidents stationed in Oregon

Oregon does not tax your military pay if you're a nonresident stationed in Oregon. You do not need to file an Oregon return unless you had other income from an Oregon source, Oregon tax withheld from your pay, or you qualify to claim the Oregon working family child care credit. Examples of Oregon-source income include:

- Wages from a job held on off-duty hours,
- Wages earned by your spouse in Oregon, or
- Earnings from an Oregon business or rental property.

**Note:** Nonresidents' interest income from an Oregon bank account generally is not taxable by Oregon.

If you had Oregon withholding, you should file to claim a refund. You may also want to contact your pay clerk to stop withholding Oregon taxes if you have no other Oregon-source income.

**How to file.** Use Form 40N. Enter your military income on line 8 in the federal column only. Do not enter your eligible military pay in the Oregon column. Report any other income taxable by Oregon on the form.

On line 37F, subtract the military wage income you reported in the federal column on line 8. On line 37S, enter zero. It is important to enter your military pay this way because it affects the amount of deductions and credits you're entitled to claim. Write "Military Nonresident" at the top of your Form 40N in blue or black ink.

If you filed a joint federal return, file a joint Oregon return. File Form 40N. Don't report your military income in the Oregon column, but you must include any other income taxable to Oregon.

**National Guard and armed forces reserves.** Nonresident members of the National Guard or reserves will be treated the same as any other nonresident military member working in Oregon. See **Nonresidents stationed in Oregon** in the left column.

**Example 1:** Selina is a nonresident of Oregon stationed in Oregon on active duty. She has no other Oregon-source income. Selina is not required to file an Oregon return. She does not have any Oregon income tax withheld from her military pay.

**Example 2:** Jared is a nonresident of Oregon stationed in Oregon on active duty. In his off-duty hours he works part-time for an Oregon employer. Because Jared has Oregon income other than his military wages, he will file Oregon Form 40N for a nonresident. For instructions on how Jared will complete his Oregon Form 40N, see **Nonresidents stationed in Oregon** in the left column.

## Oregon residents stationed outside Oregon

Military personnel who enter the armed forces from Oregon do not lose their Oregon residence or "domicile" merely by being stationed outside Oregon. However, for income tax purposes, if you meet certain requirements you may be considered a nonresident and will not have to pay Oregon tax on your military pay.

**Requirements.** If you meet all three of the following requirements, you are treated as a nonresident for Oregon tax purposes:

1. You did not have a permanent residence in Oregon for yourself or your family during any part of the tax year, and
2. Your permanent residence was outside Oregon during the entire tax year, and
3. You spent less than 31 days in Oregon during the tax year.

You owe Oregon tax only if you had income from another Oregon source. This income may be from an Oregon property sale, a business, or rental property located in Oregon.

**How to file.** Use the same procedure described previously under "How to file" for nonresidents stationed in Oregon.

If you do not meet all three requirements above, your military pay and all other income is subject to Oregon tax. You must file an Oregon individual income tax return. You need to file Form 40 (you may not file Form 40S if you have active duty pay). Following are the active duty pay subtractions you may be able to claim on your return.

If you meet the three nonresident requirements listed above but have Oregon income tax withheld from your military pay, you still should file an Oregon tax return to get your refund.

**Withholding exemption.** You have the option to stop Oregon withholding from your military active duty pay if all of the following are true:

- You had a right to a refund of all 2007 Oregon income tax withheld because you had no tax liability, and
- You expect a refund of all 2008 Oregon income tax withheld because you think you won't have any tax liability, and
- You expect to be stationed outside of Oregon all of 2008.

If all of the above are true and you do not want Oregon tax withheld from your military active duty pay, you must file a second Form W-4. This second Form W-4 is for Oregon tax purposes only and is in addition to your federal Form W-4.

When completing a Form W-4 for Oregon only, write "exempt" on line 7. At the top, write "For Oregon Only—Stationed Outside Oregon" in blue or black ink. Give this Form W-4 to your pay clerk.

If you file a joint return and your spouse, who is also an Oregon resident, had income from a source outside of Oregon, you must include this income on your Oregon Form 40. However, you may be eligible for a credit for income taxes paid to another state. For more information, go to our website or call us.

## Active duty pay subtractions

You may qualify for more than one subtraction for U.S. military active duty pay. To be eligible for the subtractions, the active duty pay must be included in federal adjusted gross income (AGI).

The Oregon military active duty pay subtractions are:

1. **Active duty outside of Oregon.**<sup>1</sup> As of August 1, 1990, you can subtract active duty pay earned anywhere outside of Oregon until the date the presi-

<sup>1</sup> If the president sets a date for the end of combat zone activities before the end of the year, please contact us in Salem at 503-378-4988 or toll-free from an Oregon prefix at 1-800-356-4222. You may be eligible for a subtraction of pay received

dent sets as the end of combat zone activities. The date was not set when this material was printed. You are not required to be stationed in a designated combat zone to be eligible for this subtraction.

2. **Active duty inside of Oregon.\*** You may subtract up to \$6,000 of active duty pay earned inside Oregon. Each spouse receiving active duty pay may claim the subtraction up to a limit of \$6,000 each (\$12,000 total on a joint return).

\* For National Guard and reservist active duty pay subtraction, see information below.

**National Guard and armed forces reserves.** Annual training and reserve summer camp are considered active duty because the President of the United States requires this training. However, drills and weekend meetings are not active duty. Only the amount received as active duty pay qualifies for the subtraction. If you are in the guard or the reserves and your W-2 form does not show a separate amount for active duty, contact your unit pay clerk.

**Total subtraction.** You may qualify for more than one military active duty pay subtraction. However, your total subtraction can't be more than the total active duty pay included in federal AGI. The following examples show the active duty pay subtractions described above.

**Example 3:** Seth, an Oregon resident, enlisted in the Navy. He earned \$10,000 of active duty pay in Spain and \$8,000 of active duty pay inside Oregon during the year. He included the \$18,000 in his federal AGI. Seth's total active duty pay subtraction is \$16,000. Seth can subtract the \$10,000 earned outside Oregon and \$6,000 of his active duty pay earned inside Oregon. Seth will file Oregon Form 40 and claim his military pay subtraction on line 18.

**Example 4:** Brett is an Oregon resident and files jointly with his wife who lives and maintains a residence in Oregon. Brett served in a designated combat zone for five months this year and earned \$8,000 in combat pay. He served in Germany for the rest of the year and earned \$15,000 of active duty pay. The president did not declare an end to combat zone activities this year. Because Brett excluded his combat pay on his federal return, he cannot subtract it on his Oregon return. Therefore, Brett's Oregon subtraction is limited to the \$15,000 active duty pay earned outside of Oregon and included in federal AGI. Brett and his wife will file Oregon Form 40 and claim the subtraction on line 18.

in the year of initial entry or year of discharge for active duty pay earned outside of Oregon under ORS 316.680(1)(c)(B).

## National Guard and reservist active duty pay subtraction

Answer the following questions to help you determine if you can claim this subtraction:

- Were you a member of the military reserve forces under Title 10 at any time since September 11, 2001?
- Were you required to be away from home overnight for at least three consecutive weeks?
- Was your active duty service in Oregon?

If you answered “yes” to all of the questions above, you can subtract all active duty pay you earned while you served in Oregon. This subtraction is available for tax years starting on or after January 2001. You can amend your prior year tax returns to claim this subtraction. When you file your amended return, include a copy of your orders.

You must amend your 2001-2004 tax returns by June 30, 2008 to receive a refund. To amend for other years, see instructions for Oregon Amended Schedule.

**Example 5:** Gertrude and Merlin are married, filing a joint return. Both are Oregon residents. Gertrude was on active duty overseas (not in a combat zone) this year. She had \$21,000 active duty pay. Merlin served in the Oregon National Guard and was away from home overnight for one month. He served in Oregon. Merlin earned \$700 of reserve pay for his weekend drills from January to March, and \$15,000 of active duty pay from April to December.

Gertrude and Merlin will include \$36,700 of military wages in their federal AGI. On their Oregon return, Gertrude will subtract all \$21,000 of her active duty pay. She earned all her military wages outside of Oregon. Merlin will not subtract his reserve pay of \$700. He will subtract all \$15,000 of his active duty pay. All his active duty pay was earned in Oregon and he served more than three consecutive weeks away from home. Combined, Gertrude and Merlin have a military subtraction of \$36,000. They will file Oregon Form 40 and claim the subtraction on line 18.

## Copy of federal return

When filing Form 40 or Form 40N, attach a copy of your federal Form 1040, 1040A, or 1040EZ, whichever is applicable. This is required even if you owe no Oregon tax or are only requesting a refund of tax withheld.

## Filing and payment date

The due date for filing a calendar year return and payment of the tax is April 15. If the 15th falls on a

Saturday, Sunday, or legal holiday, the due date is the next working day of the month. If you are outside the United States on April 15, the due date is June 15.

If you owe tax on your Oregon income tax return, you must pay the entire amount by the due date. Interest and penalty will be added to all unpaid balances.

## Extension for filing your return

You can get an extension to file your return but not to pay your tax. You must pay the entire tax by the due date to avoid interest and penalty charges.

You are allowed the same extension period for Oregon as allowed for your federal return. Do you need an extension to file only your Oregon return? Or, do you have a federal extension but need to make a payment to Oregon with your extension? Use Oregon Form 40-EXT. Go to our website to download the form or call us to order the form.

Were you stationed in a combat zone or contingency area? Did you receive additional time to file your federal return and pay your 2007 tax? If so, Oregon allows the same additional time to file and pay your Oregon tax. Write “Combat Zone” in blue or black ink at the top of the return.

## Interest and collections

The 2004 federal Servicemembers’ Civil Relief Act (SCRA) and Oregon law allow relief from collection activities for qualifying service members. You may qualify for relief under one of the following situations:

- If you owe taxes while on active duty (Title 10), you may qualify under SCRA for a reduced interest rate while on active duty and up to six months after. The interest rate limit is 6 percent. File a claim for a reduced rate of interest by writing to the department within six months after your active duty service has ended. Include a copy of orders showing your active duty status and dates.
- If your active duty service (Title 10) has materially affected your ability to pay your Oregon tax debt, you may qualify under SCRA for relief of interest and collection activity while on active duty and up to six months after. File a claim for relief by writing to the department within six months after your active duty service has ended. Relief may not be available for the period prior to receiving your request. Include a copy of orders showing your active duty status and dates.

- You may qualify for relief of interest and collection activity under Oregon law if you meet the following requirements:
  - You have a tax liability that came due while on active duty under Title 10, and
  - You have been on active duty for more than 90 consecutive days, and
  - Your active duty service (Title 10) occurred on or after September 11, 2001, and
  - You notify us within six months after your active duty service has ended.
- Guard members called into active state service by the governor under Title 32 may qualify for relief of interest and collection activities on any tax owed prior to active state service. Send a written request for relief to the department within six months after the active state service has ended. Include a copy of your orders.

To get relief, you have to notify us that you are on active duty or send a written request. Relief may not be available for the period prior to receiving your notification. Contact the department for more information.

## Service members who died while active duty (Title 10)

The Department of Revenue will cancel the Oregon personal income tax liability of eligible service members who died on active duty on or after September 11, 2001. If the service member:

- was on active duty under Title 10 at time of death, and
- was on active duty for 90 consecutive days or more at time of death, and
- had an Oregon personal income tax liability, or other eligible tax liability,

then they are eligible for a refund of Oregon tax.

Here are instructions to file a claim for an eligible service member:

- File an Oregon return for the tax year, if not already filed. Write “KIA—active duty” on the top of the return and also on the line for “total tax.” Attach Form W-2.
- File an Oregon Amended Schedule if a return has already been filed. Write “KIA—active duty” on the top of the schedule and on the line for “total tax.” File a separate amended return for each year affected.

- Attach a sheet showing the tax liability before any amount is forgiven, and the amount to be forgiven.
- Attach Oregon Form 243, Claim to Refund Due a Deceased Person to the amended return or schedule if there is no court-appointed or certified personal representative.
- Attach a copy of the certification from the Department of Defense (Form DoD 1300, Report of Casualty).
- Attach documentation showing the service member was on active duty (Title 10) for 90 consecutive days or more at the time of death.
- Attach a copy of the service member’s original Oregon return behind the Oregon Amended Schedule. If you don’t have a copy of the original return, contact us. The department may be able to provide you with a copy.
- If the service member’s federal return was amended, include a copy of the 1040X.

**Joint filers.** If the eligible service member filed a joint return, determine his or her separate tax liability using the following method:

1. Figure the service member’s share of adjusted gross income.
2. Divide by the total joint adjusted gross income. This is the service member’s share of the joint adjusted gross income.

Multiply the joint tax liability by the percentage determined in step 2. This is the service member’s share of the joint tax debt, the amount eligible for cancellation.

## Taxpayer assistance

**General tax information** ..... [www.oregon.gov/DOR](http://www.oregon.gov/DOR)  
 Salem ..... 503-378-4988  
 Toll-free from an Oregon prefix ..... 1-800-356-4222

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

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

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