

O R E G O N

2010 LAW

Approved through 06/30/2012

**INDIVIDUAL INCOME TAX
&
LICENSING LAW**

FOR

CONTINUING EDUCATION

BY

TAX EDUCATORS

**31869 HERMAN ROAD
COBURG, OR 97408-9483**

**TOLL FREE VOICE OR FAX: 1-866-755-2853
OR
VOICE: 1-541-915-4915**

**<http://tax-educators.com>
tax-ed@tax-educators.com**

DISCLAIMER

The materials and forms in this manual are published by Tax Educators exclusively for the use of tax return preparers in completion of this course.

Tax Educators does not make express or implied warranties in regard to the use of materials/forms.

Each tax preparer must depend on his or her own knowledge of the law and expertise in the use or the modification of these materials.

Preparers must be aware that the laws are constantly changing and that the information in this manual may be superceded at any time.

ACKNOWLEDGMENTS

IRS: Forms & Publications

J. K. Lasser

ODR: Research, Publications & Forms

Tax Educators

31869 Herman Road, Coburg, OR 97408-9783

TOLL FREE VOICE OR FAX:

1-866-755-2853

OR

VOICE: 1-541-915-4915

<http://www.tax-educators.com>

tax-ed@tax-educators.com

NEW FOR 2010

FEDERAL TIE

OREGON IS TIED TO FEDERAL DEFINITION OF TAXABLE INCOME AS OF 12/31/2010*. Oregon has a rolling tie to federal changes made to the definition of taxable income after December 31, 2006. This tie is also retroactive to tax years 2003, 2004 and 2005. You may amend these tax returns for any item that would now be allowed as a deduction as a result of the retroactive tie.

*** There are five exceptions to the December 31st 2010 tie:**

- 1. IRC section 139A for Federal Subsidies for Prescription Drug Plans.**
- 2. IRC section 199 for Income Attributable to Domestic Production Activities (APAI). Also known as Qualified Production Activity Income (QPAI). (Numeric code 006.)**
- 3. IRC section 108 discharge of debt on reacquisition of debt instrument after 12/31/2008.**
- 4. IRC section 179 for temporary federal increase of section 179 Expense Deduction.**
- 5. IRC section 168(k) for additional deduction allowable under IRC section 168(k).**

This Income is specifically exempt from tax on the federal return. If you have this type of income, you will have an addition on your Oregon tax return.

In addition to these laws, Congress passed several major pieces of legislation that Oregon was not tied to as of December 31, 2010.

NEW FOR 2010

Federal tax liability subtraction.

The federal tax subtraction limit same as 2010 at \$5,850 (\$2,925. married filing separately.)

NOTE: See following worksheet and table for 2009 & 2010 Federal Tax Subtraction.

1. Enter your federal tax liability from Form 1040, line 55; Form 1040A, line 35; Form 1040EZ, line 11; Form 1040NR, line 51; or Form 1040NR-EZ, line 15 1. _____
2. Enter your tax on qualified retirement plans from Form 1040, line 58; or Form 1040NR, line 54; any recapture taxes you included on the dotted line of Form 1040, line 60; or Form 1040NR, line 57; and the amount on Form 1040NR, line 52. 2. _____
3. Add lines 1 and 2. 3. _____
4. Enter amount reported on Form 1040, line 63; Form 1040A, line 40; or 1040EZ, line 8. 4. _____
5. Enter amount reported on Form 1040, line 66; or Form 1040A, line 43. 5. _____
6. Enter amount reported on Form 1040, line 67. 6. _____
7. Add lines 4, 5, and 6. 7. _____
8. Subtract line 7 from line 3 (if less than -0-, enter -0-) 8. _____
9. Enter your maximum allowable tax subtraction from the following Chart (Table). Don't fill in less than -0- or more than: \$5,850 or (\$2,925. Married/RDP File Sep.) 9. _____
10. Enter the smaller of line 8 or line 9 here and on Form 40S line 9 or Form 40 line 13 10. _____

Caution: Do not include any of the following on on line 2 above:

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

See Chart on Next Page

NEW FOR 2010

Use this Chart (Table) to determine the amount for line 9 of previous worksheet.

Filing Status is:	Federal Adjustment Gross Income is:		Then your maximum allowable tax liability subtraction is:
	At least	But less than	
Single filing separately	-0-	\$125,000	\$5,850.
Married filing separately	\$125,000	\$130,000	\$4,700
RDP filing separately	\$130,000	\$135,000	\$3,500
	\$135,000	\$140,000	\$2,350
	\$140,000	\$145,000	\$1,150
	\$145,000 or more		- 0 -
Married filing Joint	-0-	\$250,000	\$5,850
Head of household	\$250,000	\$260,000	\$4,700
Qualifying Widow/widower	\$260,000	\$270,000	\$3,500
	\$270,000	\$280,000	\$2,350
	\$280,000	\$290,000	\$1,150
	\$290,000 or more		-0-

REVIEW

IMPORTANT: Civil Unions, Domestic Partnerships, and same-sex marriages established in other states are - NOT - recognized in Oregon.

The subtraction for contributions to a 529 Oregon College Savings Network account in
2008 \$4,000 Joint & \$2,000 Others 2010 \$4,180 Joint & \$2,090 Others
2009 \$4,170 “ & \$2,085 Others

Personal Exemption Credit: Reduced for high-income taxpayers.

Mobile Home Park Closure New Form ‘MPC’ New Rules Expires on January 1, 2013.

TRICARE Provider Credit now up to \$2,500 for first year and subsequent credits of \$1,000. each year. **Take a credit or a subtraction.**

Oregon Earned Income Credit is now 6% of the Federal EIC.

Oregon Veteran’s Home physician credit is now up to \$5,000.

Oregon Nat’l Guard Youth Challenge Program pay:exempt up to \$6,000. Ends 12/31/2011

Reforestation Tax Credit: Certain fees can now be added to base costs.

Diesel Truck Engine Credit for Repowers and Retrofits.

Salmon Fishery Closure disaster payments to commercial fishermen.

Mobile Home Park sale to tenants’ association. Your capital gain may be excluded from Oregon tax.

Tax credit for an involuntary move of a mobile home or manufactured home. If you were forced to move because your mobile home park closed, for 2006(5 yr. carryforward). *Available for 2009 & 2010 see more information.*

Oregon National Guard active duty pay subtraction. If you’re a member of the Oregon National Guard stationed in Oregon and serving under Title 32 and were on active duty under Title 10, you may be eligible for an active duty pay subtraction up to \$6,000. This subtraction is retroactive to tax years 2003, 2004, 2005, 2006, 2007, 2008, 2009.

Residential energy tax credit has been expanded to include solar electric systems.

Rural emergency medical technicians may qualify for a \$250 tax credit.

REVIEW

Standard Deduction amounts. The standard deductions have changed.

Copies of FEDERAL SCHEDULES are no longer required to be attached to Oregon returns.

For Oregon return filing include ONLY:

- Oregon form 40, 40N or 40P
 - Federal form 1040A, 1040, or 1040PC or Telefile tax record
(Form 40S filers do not need to attach this item)
 - Other state's return for verification for credit for taxes paid to another state
(One page only)
 - Form 24 - Oregon Like Kind Exchanges/Involuntary Conversions
 - RPC - Oregon Payment Coupon for the Payment of Taxes
 - Authorization to represent/power of attorney
- Form 10

No longer required to attach a copy of extension.

Must check the box "extension"

No longer required to attach copy of political contribution receipts

All other schedules must be kept in taxpayer's records. ODR may request copies of schedules at a later date.

WFC: Workers Family Child Care Credit:

A Credit for Certain low-income, disabled parents with qualifying child care expenses.

MISCELLANEOUS TIDBITS

INTERACTIVE VOICE RESPONSE SYSTEM

DEPT OF REVENUE AVAILABLE 24 HOURS PER DAY:

- ★ FOR REFUND INFORMATION
- ★ ORDER CURRENT YEAR OR AMENDED FORMS
- ★ SPECIFIC RETURN LINE INFORMATION
- ★ APPEAL INFORMATION
- ★ INFORMATION ABOUT TIMBER TAXES
- ★ OTHER INFORMATION
- ★ ASSISTANCE FROM A REPRESENTATIVE

Representatives: 7:30 a.m. - 5:10 p.m. M, T, TH, F
on Wednesday 10 a.m. to 5:10 p.m.

Closed on Holidays

Representatives available 7 a.m. until 9 p.m. April 1-15
Saturdays April 2 and 9 from 9 a.m. to 5 p.m.

TELEPHONE NUMBERS:

Salem (503)378-4988
Toll free within Oregon 1-800-356-4222
Spanish 503-378-4988 or 800-356-4222
TTY (Hearing or speech impaired only) not for voice use-Salem 503-945-8617
Other 1-800-886-7204

Practitioner hot line 503-945-8655 (Not toll-free)

Auditor will return call within one working day.

OREGON ISSUES ONLY!!

DO NOT GIVE THIS NUMBER TO

CLIENTS!!

Practitioner E - Mail

prac.revenue@state.or.us

No attachments!!

Do not send confidential or taxpayer-specific information

Practitioner Listserve

Quick and efficient way for ODR to pass information on
to professional tax preparers.

To subscribe

webhost.osl.state.or.us/mailman/listinfo/revenews

MISCELLANEOUS TIDBITS!

LABEL USAGE

Dept of Revenue no longer issues labels due to concerns over security of personal information.

BLUE or BLACK INK!!

New equipment used to scan documents can not read certain colors of ink, especially red. ODR requests use of **blue or black ink** to make the information easier to read and processing time faster.

ORDERING FORMS

Forms
Oregon Dept of Revenue
P O Box 14999
Salem, OR 97309-0990

Forms may be available at post offices, banks and libraries

Through website below.

INTERNET - www.dor.state.or.us

LOCAL OFFICES - current as of 12/2007

Bend - 951 SW Simpson, #100
Eugene - 1600 Valley River Drive, Suite. 310
Gresham - 1550 NW Eastman Parkway, Suite 220
Lake Oswego - 6405 SW rosewood Street, Suite A
Medford - 3613 Aviation Way, Suite 102
Newport - 119 NE 4th Street, Suite. 4
North Bend - 3030 Broadway
Pendleton - 700 SE Emigrant, Ste. 310
Portland - 800 N E Oregon Street, Suite 505
Salem - Revenue Building, 955 Center Street NE, Room 135
Salem - 4275 Commercial Street SE, Suite 180

OREGON ELECTRONIC FILING

File both federal and state income tax returns through the IRS in a single transaction.

Must first apply with IRS Form 8633. Register with Ogden Service Center in Utah and you are automatically registered for Oregon. No separate application for Oregon.

Can NOT file electronic Oregon return alone.

Oregon Forms available for Electronic Filing: 40, 40S, 40N or 40P

IRS contact for Oregon/Federal/State ELF Program:

**Electronic Filing Coordinator
Internal Revenue Service
P.O. Box 2709
Portland, Or 97208
(503) 326-7256**

Oregon Handbook for Electronic Files of Individual Income Tax Returns:

**Oregon Dept. of Revenue
955 Center St., NE,
Salem, OR 97310
(503) 945-8415**

SCANBAND

**Oregon has developed a filing format called Scanband.
Tax preparation software will print Oregon full-year returns with the line
information in a “band” below the heading of the return.
“Band” information must match the information entered on the return.
Contact your tax preparation software representative for more information.**

2-D Barcode - NOW MANDATORY !

The newest format now provided by software providers is 2-D barcode. It has been developed to process returns faster and in a small space actually contains all the information on the page.

RESIDENCY

OREGON INCOME TAX APPLIES TO:

All income of a resident of Oregon and
Any income from Oregon sources of a non resident.

DOMICILE:

Law assumes you have a domicile someplace
Domicile is place you consider home and where you plan to return after an absence.
Determining factor is intent.
Domicile is not the same as home, abode, or residence.

- If one home - domicile is where home is
- If two homes - domicile is where center of activity is

Center of Activity considerations:

Physical characteristics of the place
Time spent there
Things done there
People and property there
Attitude toward the place
Intention to return to the place when away

Other considerations:

Voting registration location.
Driver license state.
Main Bank account location.
Business location (if any).
Memberships home location.

Spouses/RDPs: Living together generally have the same domicile

Minor Children: Domicile determined by domicile of person who has legal custody.

CHANGE OF DOMICILE:

Once established, domicile does not change until all of the following conditions occur:

- ▶ Intend to abandon old domicile
- ▶ Intend to acquire a specific new domicile
- ▶ Physically present in new domicile

RESIDENCY

OREGON RESIDENT NOT LIVING IN OREGON - GENERAL RULE

Can file as a non resident if all of the following occur:

- ▶ No permanent place of abode in Oregon for taxpayer or family
- ▶ Maintain permanent place of abode outside Oregon
- ▶ Spent less than 31 days in Oregon in the tax year

MILITARY:

If Oregon resident and in military and meet all of the above tests, military pay is not taxable in Oregon. (Barracks qualify as a permanent place of abode)

OREGON RESIDENTS LIVING OUT OF U.S. IN A FOREIGN COUNTRY

1999 law change effective for years beginning with tax year 1995

Amended returns may be filed to claim refunds for 1995 and later

Must meet one of two tests:

The physical presence test

- ▶ Tax home must be in a foreign country
- ▶ Must be present in foreign country or countries for 330 full days out of any consecutive 12 month period. (12 month period may begin on any day of the calendar month.)
Any period of 12 consecutive months may be used. The 330 days must fall within that period

→ The bona fide residence test

- ▶ Establish bona fide residence to satisfaction of Secretary of US treasury.
- ▶ Maintain bona fide residence for an uninterrupted period that includes a full year
- ▶ Be a United States citizen

In general - includes person who claims foreign earned income or housing exclusion

Civil service and military personnel may qualify even if they cannot claim the exclusions

You can subtract taxes paid to a foreign country if on your federal returns:

1. You claimed a credit for taxes you paid to a foreign country, or
2. You did not claim a credit for tax you paid to a foreign country, and you did not claim the foreign taxes as itemized deduction.

SEE Worksheet and Table on Next Page.

FOREIGN TAX SUBTRACTION

1. Enter maximum amount from table (Part A, line 9a or b). 1. _____
2. Enter your federal tax liability subtraction (Part A, line 10). 2. _____
3. Subtract line 2 from line 1. 3. _____
4. Enter federal tax from a prior year (Part B, line 5). If no tax was paid, enter -0-. 4. _____
5. Subtract line 4 from line 3. If the result is -0-, you can't deduct your foreign tax. If greater than -0-, enter the amount on line 5. 5. _____
6. Enter the amount paid in foreign tax, but not more than \$3,000. 6. _____
7. Enter the smaller of line 5 or line 6 here and on Form 40, line 18 (subtraction code 311) or Form 40N or 40P, line 46 (deduction code 603). 7. _____

<u>Filing Status is:</u>	<u>Federal Adjustment Gross Income is:</u>		<u>Then your maximum allowable tax liability subtraction is:</u>
	<u>At least</u>	<u>But less than</u>	
<u>Single filing separately</u>	<u>-0-</u>	<u>\$125,000</u>	<u>\$5,850</u>
<u>Married filing separately</u>	<u>\$125,000</u>	<u>\$130,000</u>	<u>\$4,700</u>
<u>RDP filing separately</u>	<u>\$130,000</u>	<u>\$135,000</u>	<u>\$3,500</u>
	<u>\$135,000</u>	<u>\$140,000</u>	<u>\$2,350</u>
	<u>\$140,000</u>	<u>\$145,000</u>	<u>\$1,150</u>
	<u>\$145,000 or more</u>		<u>- 0 -</u>
<u>Married filing Joint</u>	<u>-0-</u>	<u>\$250,000</u>	<u>\$5,850</u>
<u>Head of household</u>	<u>\$250,000</u>	<u>\$260,000</u>	<u>\$4,700</u>
<u>Qualifying Widow/widower</u>	<u>\$260,000</u>	<u>\$270,000</u>	<u>\$3,500</u>
	<u>\$270,000</u>	<u>\$280,000</u>	<u>\$2,350</u>
	<u>\$280,000</u>	<u>\$290,000</u>	<u>\$1,150</u>
	<u>\$290,000 or more</u>		<u>-0-</u>

RESIDENCY

COMMUNITY PROPERTY INCOME

If taxpayer is resident of Oregon and spouse/RDP is a resident of a state with community property laws, taxpayer may be subject to tax on part of spouse's/RDP's income.

Note: Washington law recognizes the right of spouses/RDPs to keep separate earnings, as long as the earnings don't involve income from real property.

NON RESIDENT LIVING IN OREGON - GENERAL RULE

Considered a resident if spend more than 200 days in Oregon
(Except transient and maintained place of abode in Oregon)

(Fraction of a day is considered a whole day)

MILITARY PAY OF NON RESIDENT

Not taxable in Oregon while stationed in Oregon.
Military assignment does not establish abode.

Caution: Member of the armed forces may establish a new domicile during a tour of military duty if meet the requirements for change of domicile.

Touchy subject: If military does not maintain a domicile (no affairs in old domicile and no home there) and does acquire a specific new domicile (purchased a home in Oregon) where he and his family live for several years and intend to return to when they leave the military -
- have they not changed domicile?

PART YEAR AND NON RESIDENT:

Considered an Oregon resident even if live outside Oregon if:

- Consider Oregon permanent home (intent)
- Oregon is center of financial, social and family life
- Oregon is the place you intend to come back to when away.

**INTERSTATE TRANSPORTATION WAGES
AMTRAK REAUTHORIZATION AND IMPROVEMENT ACT**

The Act prohibits State and Local governments from taxing compensation of certain non resident employees who have regularly assigned duties in more than one state.

To be exempt, employee must work for:

- ✓ An interstate railroad carrier
- ✓ An interstate motor carrier
- ✓ A private motor carrier

and must:

- ✓ Be a nonresident of Oregon
- ✓ Have regularly assigned duties in more than one state

For employees of interstate motor carriers or motor private carriers, the employee, in course of his or her employment must also directly affect the safety of a commercial motor vehicle. These employees may be:

- ✓ Operator of a commercial motor vehicle
- ✓ A mechanic
- ✓ A freight handler
- ✓ Any individual other than an employer.

"Regularly assigned duties in more than one state"

nonresident employee must perform duties in at least two states and must perform duties in each state on a regular basis.

"Commercial motor vehicle"

any self-propelled or towed vehicle used on the highways in interstate commerce to transport passengers or property IF

- ✓ Such vehicle has gross vehicle weight rating of 10,001 or more pounds
- ✓ Such vehicle is designed to transport more than 15 passengers, including the driver OR
- ✓ Such vehicle is used and labeled for transportation of hazardous materials.

HYDROELECTRIC DAM WORKERS

Beginning January 1, 1997 wages earned by a nonresident federal employee working on any federal dam that spans the Columbia River are no longer subject to Oregon income tax. This includes McNary, John Day, the Dalles and Bonneville dams.

Exclude the wages by subtraction on Oregon 40N or 40P

Write in the name of the dam worked on in blue ink or black ink across the top of the tax return

LIMITED LIABILITY COMPANIES

Certain businesses operating in Oregon are able to organize as limited liability companies (LLCs). This business form is available to anyone required to be licensed as a professional in this state, unless their regulatory board prohibits them from doing so

Effective 7/1/03 the filing fee is \$50.

**Must prepare Articles of Organization and file with Secretary of State.
Corporation Division - Salem 503-986-2200**

Foreign LLCs (organized outside Oregon) pay the filing fee of \$50.

Foreign LLCs must submit a certificate of existence or similar document dated within 60 days of application to do business in Oregon.

LLC has characteristics of both corporation and partnerships.

- ✓ **Limited liability similar to corporate shareholders**
- ✓ **Flexible allocation of income and loss among members similar to partnership allocations**
- ✓ **Management may take various forms.**
- ✓ **For federal and state tax purposes LLCs treated as partnerships**
- ✓ **Number of members and type of members is not restricted.**
- ✓ **Second class of membership is allowed**
- ✓ **Basis of members interest includes members share of LLC debt.
(Note: Debt not included in basis on S corporation)**

LIMITED LIABILITY PARTNERSHIPS

Oregon professionals may organize and practice in limited liability partnerships.

Professionals include but are not limited to accountants, architects, attorneys, chiropractors, dentists, landscape architects, naturopaths, licensed nurse practitioners, psychologists, physicians, podiatrists, radiologic technologists, and licensed real estate appraisers.

Fees and document requirements are same as above.

OREGON SOURCES OF INCOME

INCLUDES:

- ★ Rents and Royalties from use of Oregon property
- ★ Sales of Oregon property
- ★ Business income from a business located in Oregon

DOES NOT INCLUDE:

Interest and dividends unless from Oregon sources.

LIKE KIND EXCHANGES & INVOLUNTARY CONVERSIONS

Effective 1/1/98, Oregon is tied to Federal law for section 1031 and 1033 exchanges.

You no longer need to elect deferral of the gain, Oregon follows Federal and you must file a return when the gain is recognized federally.

This applied to all property exchanged whether in Oregon or Out of Oregon. Use Form 24 in the year of exchange or conversion.

RETIREMENT SOURCES OF INCOME

**OREGON SOURCE RETIREMENT INCOME RECEIVED AFTER BECOMING
A NON RESIDENT ----AFTER 1-1-96 IS NO LONGER TAXABLE IN OREGON.
Effective 1/1/2000 your domicile must be outside of Oregon**

EMPLOYER-ADMINISTERED RETIREMENT PLAN

Include pension and profit-sharing, annuity, cash or deferred compensation, and tax sheltered annuity plans.

Contributions or compensation paid by an employer under any employer plan:

Included in Oregon income when received by taxpayer.

The contributions/compensation must be from Oregon source

Oregon "Source" income - related to services performed in Oregon.

Interest or other earnings on contributions/compensation is only taxable by Oregon if received while an Oregon resident.

If employee paid tax on any of the contributions to the plan, these contributions are not taxed when distributed.

EMPLOYEE RETIREMENT PLAN

Plan established and maintained solely by employee or on employee's behalf. Includes individual retirement arrangements (IRA), individual retirement annuities, simplified employee pension plans (SEPs) and self employed retirement plans (KEOGH).

Distributions income only if an Oregon tax benefit was received when the contributions were made by the employee and taxpayer is a resident of Oregon

Interest or earnings are Oregon income only if received while taxpayer is an Oregon resident.

NON OREGON SOURCE RETIREMENT INCOME

Subject to Oregon tax when received by an Oregon resident

(See subtractions for previously taxed employee retirement)

(See subtractions for federal pension income subtraction)

OREGON TAXABLE INCOME IN GENERAL

WAGES, SALARIES, OTHER PAY FOR WORK

Nonresidents - amount earned for working IN Oregon

Exception: see "Interstate transportation wages" (previously)

INTEREST AND DIVIDEND INCOME

Includes:

Interest received or credited to account - available for withdrawal

Interest received on tax refunds

Total dividends including public utility dividend reinvestments

Non-residents:

Only interest income from Oregon business owned in Oregon

Only dividends passed through from S Corp or Partnership
that has no business activity outside Oregon.

(Dividends received by the "S" or PTR from stock
in another corporation.)

ALIMONY

Only alimony received while an Oregon resident.

BUSINESS INCOME OR LOSS

Amount of income received while an Oregon resident and from an Oregon business
while a non-resident.

CAPITAL GAIN AND LOSS

All received while an Oregon resident

Amount received from Oregon sources while a non - resident
(i.e. sale of Oregon property)

Losses limited to \$3,000 per year (\$1,500 married filing separately)

MOBILE HOME SALE

Amounts received as a result of the sale of a mobile home park to a tenants association
nonprofit organization, community development corporation, or a housing authority
are exempt from Oregon Tax.

If you include this gain on income on your federal return, you may claim a subtraction for
the gain amount on your Oregon return. Enter the amount as an "other
subtraction". Applies to tax years beginning on or after January 1, 2006, and before
January 1, 2008.

ADJUSTMENTS TO INCOME - OREGON

IRA AND KEOGH CONTRIBUTIONS

Oregon follows federal definition of earned income and compensation used to calculate these deductions.

Non residents may be limited in the amount they can deduct for Oregon

STUDENT LOAN INTEREST

Nonresidents - only on amount related to Oregon source income.
Residents and part year residents generally deduct same as federal.

MEDICAL SAVINGS ACCOUNT DEDUCTION

Nonresidents - allocate on % of earned income
Full year and part year residents - deduct contributions related to income earned while an Oregon resident.

MOVING EXPENSES

Non residents - only if connected to Oregon employment
Full year residents - same as Federal

SELF EMPLOYMENT TAX

Nonresidents - amount on earnings from Oregon sources only using % formula
Residents amount related to income earned while an Oregon resident.

SELF EMPLOYED HEALTH INSURANCE DEDUCTION

Nonresidents, full year residents and part year residents- 100% (100% since 2003) of the insurance premiums related to Oregon source income.

Oregon source premiums are those paid for by an Oregon business while a nonresident plus premiums paid for by any qualifying business while a resident.

Limited to earned income for which the insurance plan was established.

INTEREST PENALTY ON EARLY WITHDRAWAL OF SAVINGS

Nonresidents, full year residents and part year residents - the amount related to interest taxed by Oregon.

ADJUSTMENTS TO INCOME - OREGON

ALIMONY PAID

Non-residents and part year residents - % of alimony paid
Alimony must be taxable income to former spouse/RDP.

- ▶ **Divide Oregon source income received while a non resident by total income received while a nonresident.**
- ▶ **Multiply this percentage by the alimony paid while a nonresident and**
- ▶ **Add the amount computed while a non-resident and the amount while a resident.**

Full year residents – all alimony paid is deductible.

FILING REQUIREMENTS

For 2010

Oregon Part-year and non-residents

File an Oregon return if gross income more than:

Single - can be claimed on another's return -any age		\$ 950.*
See 'Dependents' below.		
Single under 65		\$ 1,950 .
Single, age 65 or older		\$ 3,150.
Married/RDP	filing joint	both under 65 \$ 3,900.
Married/RDP	filing joint	one age 65 or older \$ 4,900.
Married/RDP	filing joint	both age 65 or older \$ 5,900.
Married/RDP	filing separately	
spouse/RDP	under 65	\$ 1,950.
Standard deduction	65 or older	\$ 2,950.
Spouse/RDP		
Itemize Deduction	any age	\$ -0-
Head of Household	under 65	\$ 3,140.
Head of Household	age 65 or older	\$ 4,340.
Qualifying widow (er)	under 65	\$ 3,900.
Qualifying widow(er)	age 65 or older	\$ 4,900.
* The larger of \$950 or your earned income plus \$300, up		
If Oregon income is less than standard deduction, not required to file.		
Must file to obtain a refund of Oregon withholding.		

FILING REQUIREMENTS

For 2010

**File an Oregon return if Full-year Oregon RESIDENT
with gross income of more than:**

Single - can be claimed on another's return -any age		\$ 950.*
See 'Dependents' below.		
Single under 65		\$ 5,343.
Single, age 65 or older		\$ 6,543.
Married/RDP Joint	both under 65	\$10,700.
	one 65 or older	\$11,700.
	both 65 or older	\$12,700.
Married/RDP	separate under 65	\$ 5,343.
Married/RDP	separate 65 or older	\$ 6,343.
Head of Household	under 65	\$ 6,680.
Head of household	age 65 or older	\$ 7,880.
Qualifying widow (er)	under 65	\$ 7,440.
Qualifying widow(er) age 65 or older		\$ 8,440.
In addition: Oregon resident required to file a Federal tax return		
Or: File an Oregon return if Oregon tax was withheld from earnings		
Or: File an Oregon return if <u>nonresident</u> or <u>part year</u> resident with income taxed by Oregon.		

***Dependents:**

1. Enter gross income from all taxable sources.....1. _____
2. Add earned income.....\$ _____ Plus \$300. Enter total.....2. _____
3. Set amount.....3. 950.
4. Enter the larger of line 2 or 3.....4. _____
5. Enter the standard deduction for a single person.....5. _____
 - ^ Basic standard deduction: \$1,950.
 - ^ Single and over age 65:.....\$3,150.
6. Enter the smaller of line 4 or 5.....6. _____

If line 1 is more then line 6, you must file an Oregon return. If line 6 is more than line 1, you are not required to file an Oregon return.

FILING STATUS

GENERAL RULE:

Filing status on Oregon return must be same as filing status on Federal

EXCEPTION:

If filing joint for federal, may file separate Oregon if ONE of the following:

- ✓ **Full year resident and part year resident - full year file on form 40 and part year resident file on 40P. Full year resident reports all income earned for year. Part year resident reports only income earned while a resident AND Oregon source income while a nonresident.**
- ✓ **Full year resident and nonresident - full year resident on form 40 and non resident on 40N. If choose to file joint, file on 40N.**
- ✓ **Non resident and part year resident. Nonresident on 40N and part year resident on 40P. If choose to file joint, file on 40N.**

FILING STATUS CONTINUED

SEPARATE OREGON RETURNS - JOINT FEDERAL

Each spouse/RDP reports their own income
Percentage ratio formula to compute certain deductions:

Your share of federal AGI	=	your percentage
Joint federal AGI		(not to exceed 100%)

Percentage applied to:

Joint federal tax liability for federal tax subtraction on Oregon

Joint itemized deductions

Itemized deductions - may separate instead of percentage if can clearly determine each spouse's/RDP's deductions.

Each spouse/RDP is allowed a standard deduction of \$1,950 plus

\$1,200 if age 65 or older

\$1,200 if blind

Can not use standard deduction if spouse/RDP itemizes

Can not prorate exemptions.

May claim yourself and any dependent you provided more than half of their support.

IF FILING SEPARATE FOR OREGON ONLY

Write "**MFS FOR OREGON ONLY**" in center at the top of the form

Write it in **BLUE INK**

Write spouse's/RDP's name and social security number in space after married filing separate box.

Attach copy of joint federal return and a federal 1040 or 1040A showing how federal return would have been filed if filed married filing separate.

MULTIPLE NON RESIDENT RETURNS

Nonresident members of partnerships or "S" Corporations which have income from Oregon sources are allowed to join in filing a multiple Oregon 40N.

- Must be a nonresident partner or shareholder**
- Must have no other Oregon source income**
- Can not use any deductions or tax credits (including exemption credit) on the multiple return.**
Exception: May use self employment tax deduction

Instructions available at Personal Tax and Compliance Division, Oregon Department of Revenue, Box 14560, Salem, Oregon 97309-5011

EXEMPTIONS

Oregon does not allow an exemption deduction as does Federal. Instead, Oregon allows an exemption credit against Oregon tax computed on Oregon taxable income.

<u>Yr:</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$:	\$139	\$142	\$145	\$147	\$151	\$154	\$159	\$165	\$55 - \$169	\$58 - \$176	\$58 - \$177

If claimed as a dependent on someone else's return- can not claim exemption for self on Oregon return.

ADDITIONAL EXEMPTION CREDIT FOR SEVERELY DISABLED

For taxpayer and spouse/RDP only

Requires medical certification

Part year and non residents allowed credit on percentage basis

Must have any of the following conditions:

- Loss of use of one or both feet
- Loss of use of both hands
- Have a condition that, without special equipment, limits ability to:
 - ▶ earn a living or
 - ▶ Maintain a household or
 - ▶ Transport yourself

Special equipment does not include glasses, ordinary crutches, hearing aids or contact lenses.

Do not qualify if:

- Condition caused by normal aging process
- Temporary disability by injury or illness but expect to recover
- Condition keeps from doing former work but allows person to do other kinds of work without special equipment.

May also qualify for credit for loss of use of limbs. (See credits section)

EXEMPTION CREDIT CONTINUED

EXEMPTIONS FOR DEPENDENTS

Generally, must claim same number of dependents as claimed on Federal.

DISABLED CHILD ADDITIONAL EXEMPTION CREDIT

Child must meet all of the following:

- ✓ **Qualify as dependent**
- ✓ **Be age 17 or younger on December 31 of the tax year**
- ✓ **Was eligible for "early intervention services" or diagnosed with disabilities for special education purposes. Learning disabilities alone do not qualify, OR**
- ✓ **Child must have a health-related disability requiring special education defined by Oregon Dept. of Education**
Includes:
 - **Autism**
 - **Deaf/Blind**
 - **Hearing impairment**
 - **Visual impairment**
 - **Mental retardation**
 - **Multiple disabilities**
 - **Orthopedic impairment**
 - **Serious emotional disturbance**
 - **Multiple disabilities**
 - **Traumatic brain injury**

Child must be diagnosed as of Dec. 31 of the year to qualify for that year,

Get a current statement of eligibility through child's local school district by a qualified examiner authorized by Oregon Dept. of Education.

The statement of eligibility and cover sheet must be obtained from:

- **Child's Individualized Education Program (IEP)**
- or - **Child's Individualized Family Service Plan (IFSP)**

Keep the statement and cover sheet with your permanent health records.

Write your child's name on line 6d of your Oregon return, "disabled children only". Also be sure to include the child's name on line 6c for "all dependents".

No carryover. Your credit cannot be more than your tax liability for Oregon. Any credit not used this year is lost.

TAX RATES

If taxable income from form 40 or form 40S is \$50,000 or less, use tables in instruction booklets.. If taxable income is more than \$50,000, must use tax rate charts 'S' or 'J'.

TAX RATE CHART "S"- 2010

FOR PERSONS FILING SINGLE, OR MARRIED/RDP FILING SEPARATE

If taxable income is over \$50,000 but not over \$125,000- Tax is \$4,287 plus 9% of excess over \$50,000
If taxable income is over \$125,000 but not over \$250,000 tax is \$11,036 plus 10.8% of excess over \$125,000
If taxable income is over \$250,000 tax is 24,536 plus 11% of excess over \$250,000

TAX RATE CHART "J"- 2010

FOR PERSONS FILING JOINTLY, HEAD OF HOUSEHOLD OR QUALIFYING WIDOW(ER) WITH DEPENDENT CHILD

If taxable income is over \$50,000 but not over \$250,000 tax is \$4,072 plus 9% of excess over \$50,000
If taxable income is over \$250,000 but not over \$500,000 tax is \$22,072 plus 10.8% of excess over \$250,000
If taxable income is over \$500,000 tax is \$49,072 plus 11% of excess over \$500,000

TAX RATE CHARTS FOR 40N AND 40P FILERS

TAX RATE CHART S-2010

FOR PERSONS FILING SINGLE, OR MARRIED FILING SEPARATELY

<u>If taxable income is:</u>	<u>Your tax is:</u>
Not over \$3,0505% of taxable income
Over \$3,050 but not over \$7,650	Over \$3,050 \$153 plus 7% of excess
Over \$7,650 but not over \$125,000	Over \$7,650 \$475 plus 9% of excess
Over \$125,000 but not over \$250,000	Over \$125,000 \$11,036 plus 10.8% of excess
Over \$250,000	Over \$250,000 \$24,536 plus 11% of excess

TAX RATE CHART J-2010

FOR PERSONS FILING JOINTLY, HEAD OF HOUSEHOLD OR QUALIFYING WIDOW(ER) WITH DEPENDENT CHILD

<u>If taxable income is:</u>	<u>Your tax is:</u>
Not over \$6,1005% of taxable income
Over \$6,100 but not over \$15,300	Over \$6,100 \$305 plus 7% of excess
Over \$15,300 but not over \$250,000	Over \$15,300 \$949 plus 9% of excess
Over \$250,000 but not over \$500,000	Over \$250,000 \$22,072 plus 10.8% of excess
Over \$500,000	Over \$500,000 \$49,072 plus 11% of excess

OREGON FORMS

FORM 40S:

Full year Oregon residents. Can use 40S if claiming separate exemption for disabled.
Income from wages, interest, ordinary dividends, unemployment, taxable
scholarships and fellowship grants.

Taxable income is less than \$100,000

No pension or annuity income or IRA distributions

Standard Deduction only

Do not owe penalty or interest

Did not pay estimated tax

No credits except:

- ▶ Credit for Elderly/Disabled
- ▶ Adoption Credit
- ▶ Child & Dependent Care Credit
- ▶ Child care credit (including carryover from prior year)
- ▶ Credit for tax paid to another state
- ▶ Earned Income Credit
- ▶ Exemption Credit
- ▶ Political contributions credit
- ▶ Home care for Elderly
- ▶ Loss of limbs
- ▶ Exemption
- ▶ Oregon Individual Development Account Credit
- ▶ Long Term Care Insurance Credit
- ▶ Earned income credit
- ▶ Working Family Child Care Credit
- ▶ (Plus + 16 Other Credits - to report these use their codes)

FORM 40:

Full year Oregon resident and can not use 40S

Itemized on Oregon return

Paid estimated tax or should have

Adjustments on Federal return

Oregon additions or subtractions other than Federal tax subtraction

Credits other than those allowed on 40S

Married filing separate and spouse/RDP itemized deductions

Claimed as dependent on parents return and had to itemize

Social security, pension or annuity income

Wages from military active duty

Interest from U. S. Government

Non taxable stipends

American Indian earning wages on reservation in Oregon

Owe penalty or interest

Want to apply all or part of refund to next year's estimated tax

FORM 40P PART YEAR RESIDENT:

Individual part year resident

Part year resident filing joint with full year resident spouse/RDP

Both part year residents filing jointly

Qualified as Oregon resident living abroad for part of the year

FORM 40N - FULL YEAR NON RESIDENT:

Individual full year non resident

Full year non resident filing **JOINT** with full year resident spouse/RDP

Both full year non-residents filing jointly

Qualified as an Oregon resident living abroad for the entire year

EXTENSIONS

Oregon recognizes Federal extension request. If federal extension is requested, check the box "extension filed" on the Oregon return.

To avoid penalty and interest, must pay at least 90% of tax due by due date of the return.

Attach payment to a separate copy of the Federal extension request and mark "OREGON EXTENSION" in top right hand corner in blue ink

If need more time for Oregon only, - Oregon now has its own Extension Form - Form 40 EXT.

Mail extension to:

Extension Clerk
Oregon Dept of Revenue
P.O. Box 14950
Salem, Oregon 97309-0980

Notification will be mailed if extension is denied.

Combat zone: Oregon allows the same additional time for filing as Federal. Write "Combat Zone" at top of the return in blue ink or black ink.

Do/did you live in an area affected by a national disaster?

Did you receive additional time to file your federal tax return and pay your federal tax? If so, you may qualify for additional time to file your Oregon return and pay your Oregon tax. Please call the department for information and instructions on filing or visit our website.

INTEREST

INTEREST PERIOD:

Each full month starting with day after due date of original return
Figured on daily rate for fraction of a month based on 365 day year

EXTENSION:

Interest still owed even if extension filed if not paid with extension

<u>INTEREST DATES</u>	<u>ANNUAL</u>	<u>MONTHLY</u>	<u>DAILY</u>
June 1, 1983	18%	1.5000%	.0493%
August 1, 1986	17%	1.4167%	.0466%
January 1, 1987	16%	1.3333%	.0438%
January 1, 1988	11%	.9167%	.0301%
January 1, 1993	8%	.6667%	.0219%
January 1, 1995	10%	.8333%	.0274%
January 1, 1999	9%	.7500%	.0247%
January 1, 2001	10%	.8333%	.0274%
February 1, 2002	8%	.6667%	.0219%
February 16, 2003	7%	.5833%	.0192%
January 16, 2004	6%	.5000%	.0137%
January 16, 2005	5%	.4167%	.0137%
January 16, 2006	7%	.5833%	.0194%
January 1, 2007 to January 1, 2009	9%	.75%	.0247%
January 1, 2009 to January 1, 2010	6%	.05%	.0164%
January 1, 2010 and AFTER	5%	.4167%	.0137%

TWO TIERED INTEREST ON DEFICIENCIES AND DELINQUENCIES

Additional interest of one third of 1 percent per month (4 percent per year) is charged on deficiencies or delinquencies if the following:

- taxpayer has filed a return showing taxes due (self assessed)
- or
- the Dept of Revenue has assessed an existing deficiency

AND

- The assessment isn't paid within 60 days after the return is filed or notice of assessment is issued.

PENALTIES

MUST PAY PENALTY IF:

- ✓ Don't file return or pay tax by original due date of return (even if extension) 5% of unpaid tax.
- ✓ Don't file within three months after due date (including extensions) 20% of the tax due in addition to the 5% penalty.

NO PENALTY ASSESSED IF MEET ALL OF FOLLOWING REQUIREMENTS

- ✓ File federal form 4868, the automatic extension of time to file or the Oregon Extension Form 40-EXT
- ✓ Paid at least 90% of tax after credits by original due date.
- ✓ File return within extension period
- ✓ Pay balance of tax due when return is filed
- ✓ Pay the interest on balance of tax due when you file return or within 30 days of date of billing received.

LIMITATION

Penalties can not be more than 100% of tax due
Exception- penalties for substantial understatement or frivolous returns may be in addition to other penalties.

SUBSTANTIALLY UNDERSTATED INCOME

More than \$25,000 for C Corporations and \$15,000 for all others
Abusive tax shelter amounts are always considered substantial
Penalty is 20%

FRIVOLOUS RETURN

Return completed in a way that is meant to deliberately delay or block the administration of tax laws.

\$250 penalty

Includes (but not limited to:)

- ▶ Argument, without any good basis, that there has been a violation of your constitutional rights
- ▶ Argument that 16th Amendment to the U.S. Constitution was not properly adopted.
- ▶ Reliance on a “gold standard” or “war tax” deduction
- ▶ Argument that wages or salary are not taxable income
- ▶ Argument that “unenfranchised, sovereign, freemen or natural persons are not subject to tax laws.

PENALTIES CONTINUED

FALSE ELDERLY RENTAL ASSISTANCE FORM 90R

Could be charged with a Class C Felony - fined up to \$100,000 or jail time or both. You also have to pay back twice the amount of the assistance, plus interest.

NO WAGE DEDUCTION

Allowed to individual or corporation who does not file information returns or withholding reports timely, unless it can be shown that the failure to file is due to reasonable cause and not with intent to evade payment of tax imposed.

IF RETURNS NOT FILED FOR THREE CONSECUTIVE YEARS BY DUE DATE (INCLUDING EXTENSIONS)

For third year a 100% penalty will be imposed on each delinquent return

(Inheritance, Gift, Personal income tax, Corporate excise tax, Corporate income tax, timber tax, returns for local tax that is administered by the Dept. of Revenue under ORS 30-5-620)

PROCEEDINGS INSTITUTED BY TAXPAYER WITH INTENT TO DELAY, FRIVOLOUS AND GROUNDLESS POSITION OF TAXPAYER:

Up to 100% penalty on tax due for each year

Class C felony

\$5,000 damages may be awarded to Dept of Revenue.

UNREASONABLE WITHHOLDING ALLOWANCES (More than 10)

OR

CLAIMING EXEMPT FROM STATE WITHHOLDING BUT NOT FROM FEDERAL

Without reasonable basis for either claim = \$500 penalty.

STATUTE OF LIMITATIONS

FOR REFUNDS:

Normal statute - Up to three years after return is filed

Withholding tax refunds - Within three years after due date

Federal corrections - Additional time to amend Oregon return allows two years from date of Federal change even if three year statute has expired.

Net operating loss - Within three years after due date of the return that created the loss.

AMENDED FEDERAL RETURN

Required to amend Oregon if change results in additional Oregon taxable income.

Oregon has two years from date the department is notified of change by IRS or other state to issue a deficiency notice.

ESTIMATED TAX

WHO MUST PAY ESTIMATED TAX

Expect to owe \$1000 or more when return is filed.

and

Estimate that total amount of tax withheld will be less than:

- a) 100% of tax on prior year return for full 12 months.
- or b) 90% of tax shown on current year return
- or c) 90% of tax on current year return using annualized income.

JOINT ESTIMATED TAX PAYMENTS

May file joint unless one of following is true:

- ◆ taxpayer and spouse/RDP are nonresident aliens
- ◆ legally separated
- ◆ taxpayer and spouse/RDP have different tax years.

Payments considered to be joint, regardless of who sent in the money

May file separate Oregon returns even if joint estimate is filed.

May divide payments or agree that one will claim all payments.
If no agreement, generally divided on ratio of tax liabilities.

Tax rate chart for Estimating 2011 Oregon Tax Do not use 2010 Rate Chart

Caution: The tax rates change because of inflation. Use this rate chart for figuring your 2011 estimated tax. Do not use a 2010 rate chart

Chart S:

For persons filing single or married filing separately

If taxable income is:	The tax is:
Not over \$3,100.....	5% of taxable income
Over \$3,100 not over \$7,750.....	\$155 plus 7% of excess over \$3,100
Over \$7,750 not over \$125,000....	\$481 plus 9% of excess over \$7,750
Over \$124,000 not over \$250,000..	\$11,033 plus 10.8% over \$125,000
Over \$250,000.....	\$24,533 plus 11% over \$250,000

Chart J:

For persons filing jointly, head of household, or qualifying widow(er) with dependent child

If taxable income is:	The tax is:
Not over \$6,200.....	5% of taxable income
Over \$6,200 not over \$15,500.....	\$310 plus 7% of excess over \$6,200
Over \$15,500 not over \$250,000...	\$961 plus 9% of excess over \$15,500
Over \$250,000 not over \$500,000..	\$22,066 + 10.8% over \$250,000
Over \$500,000.....	\$49,066 + 11% over \$500,000

Use above rate charts as tax rates have changed due to inflation.

ESTIMATES

GROSS INCOME FOR DETERMINING ESTIMATED TAX REQUIREMENTS

Generally, gross income includes all income received during year.
Except: Social Security, Railroad Retirement, Welfare benefits.

Include GROSS PROFIT from rentals, royalties, business, farm, fishing, capital gains, sales of property.

Don't subtract expenses, except cost of goods sold when figuring gross profit_

FARMERS AND COMMERCIAL FISHERMEN

If at least 2/3 of current year gross income or 2/3 of prior years gross income from all sources is from farming or fishing.

Includes oyster farming

For farmers - Gross income includes **gross** from Schedule F, E, and 4797 (sale of livestock held for draft, breeding or dairy purposes. Oregon allows farm income averaging for income tax purposes, use FIA-40/FIA-40P/FIA-40N.

For fishermen -Gross income includes **gross** from Schedule C, C-EZ or E

File form 10 (Underpayment of Estimate for Oregon) to show that no penalty due.

Employees of farmers or fishers do **not** qualify for exception.

NON RESIDENTS AND PART YEAR RESIDENTS

Non residents figure estimated Oregon tax only on income:

Subject to Oregon withholding

From conducting trade or business within Oregon

DUE DATES

	<u>For 2006</u>	<u>For2007</u>	<u>For 2008</u>	<u>For 2009</u>	<u>For 2010</u>	<u>For 2011</u>
#1	April 17	April 16	April 15	April 15	April 15	April 18
#2	June 15	June 15	June 16	June 15	June 15	June 15
#3	Sept. 15	Sept. 15	Sept. 15	Sept. 15	Sept. 15	Sept. 15
#4	01-16-07	01-15-08	01-15-09	01-15-10	01-18-11	01-17-12

SPECIAL CASES:

Don't need to make **fourth** payment if file by Feb. 1 and pay all of tax

Retirees - May need to pay estimates if no withholding from retirement income

Nonresident Aliens - If either one or both taxpayer and spouse/RDP nonresident alien, they must file separate estimated tax forms.

Fiduciaries - Not required to pay estimated tax on behalf of estate or trust.

UNDERPAYMENT OF ESTIMATED TAX

Interest on underpayment begins on the day after each estimated tax payment was due.

Must file form 10 "Underpayment of Oregon Estimated Tax" with Oregon tax returns

EXCEPTIONS:

★ Farmers and Commercial Fishermen

If at least 2/3 of prior and current year gross income is from farming or fishing, no underpayment interest.

★ Prior year tax

No underpayment if meet **ALL** of following:

- ▶ No tax liability for prior year
- ▶ Taxable year was full 12 month period
- ▶ Full year resident of Oregon for prior year

★ In prior or current year, retired at age 62 or older or became disabled

And

Underpayment was due to reasonable cause

★ Underpayment due to a casualty, disaster or other unusual circumstance

And

Would be inequitable to impose the penalty.

★ S corporation shareholders who are nonresidents or part year residents

No underpayment interest to extent attributable to S corporation income in which taxpayer is a shareholder **IF**

- ▶ income is for first year in which S status is elected
- ▶ **And**
taxpayer was a nonresident for current year
- ▶ **Or**
taxpayer was a full year resident for current year and a part year resident for prior year.

OREGON ADDITIONS
(TO FEDERAL AGI)

DEPRECIATION: (ORS 316.707)

Oregon depreciation generally same as federal.

EXCEPTIONS:

- Assets placed in service in tax years beginning on or after 1-1-85 on which federal investment credit was taken.
- Property placed in service after 12-31-80 and before 1-1-85 **and** the one time election was **not** made on 1996 return. Must use a method allowed under 1980 federal law to compute Oregon depreciation.
- Have property transferred into Oregon's taxing jurisdiction.

OREGON DEPRECIATION SCHEDULE:

Compares federal depreciation with Oregon. If Federal is **greater** than Oregon requires **addition** to Oregon taxable income. If Federal is **less** than Oregon, - requires **subtraction** from Oregon taxable income.

OREGON ADDITIONS
(TO FEDERAL A.G.I)

INTEREST OR DIVIDENDS FROM OTHER STATE OR POLITICAL SUBDIVISION OF ANOTHER STATE: (ORS 316.680)

These are excluded from Federal taxable income but must be added back to Oregon.

Do **not** add back if from **Oregon** state or political subdivision

Nonresidents do not have add back in **Oregon** column unless it comes from an Oregon business, partnership or S corp.

Addition reduced by related expenses:

Expenses to produce the interest or dividend are not deductible on Federal return since they relate to tax exempt income for Federal purposes.

Oregon does **not** require that itemized deductions be changed to allow for these expenses. The related expenses merely **reduce the addition.**

Caution: Since 1099s are issued on the interest income, it might be advisable to attach a schedule to Oregon return to account for the difference in the amount of the addition.

Do not add interest or dividends on obligations which states can not tax under federal law such as:

- Territory of Guam
- Commonwealth of Puerto Rico
- Territory of Puerto Rico
- Territory of Samoa
- Territory of Virgin Islands

ELECTION TO REPORT INTEREST/DIVIDENDS OF MINOR CHILD ON PARENTS RETURN

Must add amount subject to the special federal tax to Oregon.

On Oregon form 40 add the smaller of line 6 or 7 from Federal 8814

OREGON ADDITIONS
(TO FEDERAL A.G.I.)

BASIS OF BUSINESS ASSETS TRANSFERRED INTO OREGON (ORS 316.707)

Oregon basis for depreciation is **lower of**

1. **Federal unadjusted basis**

(original cost before any adjustments such as investment tax credit, depletion, amortization, depreciation, or sec. 179 expenses.)

or 2. **Fair market value.**

(when brought to Oregon)

Reduced by any **Oregon** depreciation previously taken.

Use MACRS depreciation for **remainder of** the useful life of the asset

ANTI-CHURNING RULE DENIES ACRS AND MACRS BENEFITS FOR CERTAIN PROPERTY. (ORS 316.707)

Property placed in service for personal use in a tax year beginning before 1985 and later converted to business or income-producing use is **not** recovery property for Oregon purposes. (May not use MACRS)

ADDITIONAL GAINS OR LESS GAIN FROM SALE OF DEPRECIABLE PROPERTY

If taxpayer did NOT make the one time adjustment on 1996 Oregon return:

Difference in depreciation for property on which depreciation began after 12-31-80 and before 1-1-85.

Difference in depreciation due to section 179 write off expenses when Oregon not "tied" to Federal law.

Difference in life years allowable for nonresidential real property after 5-13-93 until "tied" to Federal.

Report as addition or subtraction due to "sale of depreciable property".

OREGON ADDITIONS
(TO FEDERAL A.G.I.)

**LUMP SUM DISTRIBUTIONS FROM USE OF SPECIAL 5 YEAR (10 YEAR)
AVERAGE METHOD FOR FEDERAL (ORS 316.007)**

Do **NOT** add back **CAPITAL GAIN** portion if elected to treat as capital gain and it is included in Schedule D on Federal.

Any such income **NOT** included in federal AGI because of use of form 4972 Federal must be added to income on Oregon return.

Death benefit exclusion up to \$5,000 on Federal must be proportioned between capital gain and ordinary portion.

FEDERAL TAX REFUNDS FROM AMENDED RETURNS TO EXTENT OF TAX BENEFIT:

Tax benefit: Add back only refunds of tax for which a benefit in a prior year was received.

Example: Last year's federal tax was \$2,800 and the full amount was subtracted on Oregon return. If later amended, the full amount of Federal refund would be addition to Oregon taxable income

Example #2: If last year's federal tax was \$6,000, the benefit received is only from the first \$5,850 (limit on the federal subtraction). Any refund UP TO \$150 would NOT be added since no benefit was received.

CAUTION: Maximum limits prior to 1987 were \$7000 (\$3,500 MFS)
Apply tax benefit rule accordingly.
Statute of limitations **should** have run on these returns.

EXCEPTIONS:

- ✓ If math error on federal return, and Oregon corrects it in the processing, federal tax subtraction may be changed. When IRS later refunds the difference because of the correction, no adjustment is required to Oregon.
- ✓ If file the amended return before filing due date for that tax year, amended return is treated as original.

OREGON ADDITIONS
(TO FEDERAL A.G.I.)

“IF” OREGON LOTTERY WINNINGS AND POWERBALL WINNINGS NOT TAXED BY OREGON - RELATED EXPENSES ARE NOT DEDUCTIBLE ON OREGON.

For Oregon purposes, gambling losses are limited to gambling winnings taxed by Oregon.

Excess amount of other gambling winnings over other gambling expenses (losses) is available for Oregon lottery and Powerball expenses.

Remember - winning tickets of more than \$600 (per ticket) from Oregon lottery are now subject to Oregon tax. (See subtractions section)

Example: Fast Tract Freddie had \$10,000 total gambling winnings which were all taxable for Federal. The winnings were:
 \$1,000 Oregon Lottery (Several tickets, none over \$600)
 \$1,000 Powerball (no one ticket over \$600)
 \$8,000 Track Winnings

Oregon and Powerball expenses were \$15,000
Other gambling losses \$100
Oregon taxable winnings: \$8,000 less expenses of \$100 leaves
 \$7,900 available for lottery expenses leaving \$7,100
 of the \$15,100 total expenses not deductible.

OREGON ADDITIONS
(TO FEDERAL A.G.I.)

DISPOSITION OF INHERITED OREGON FARMLAND OR FOREST LAND

ORS 316.844

Addition to return if:

- ✓ Dispose of farmland that was inherited from someone who died on or after 10-5-73, and before 1-1-87
- ✓ Dispose of forest land inherited from someone who died on or after 11-1-81 and before 1-1-87

Difference due to valuation of land for Oregon inheritance tax purposes and valuation for federal estate tax purposes because Oregon inheritance tax purposes may have valued the land as farm-use or forest land.

Farm use value: If previous owner died between 10-5-73 and 9-12-75 use farm use value for year preceding death.

If previous owner died on or after 9-13-75 use farm use value for year of death.

Forest use value: Use forest use value for year of death.

Required when property is sold by beneficiary and when:

Gain (or loss) is recognized on property that acquired inherited property basis due to a non taxable exchange or involuntary conversion

or Gain (or loss) is recognized on property received as a gift from a donor who inherited it.

DEPLETION (ORS 316.680)

Add to Oregon the amount of depletion in excess of basis that was taken on Federal Percentage depletion is nearly always in excess of basis
Cost depletion is **not** in excess of basis because it is based on cost

OREGON ADDITIONS
(TO FEDERAL A.G.I.)

FEDERAL ESTATE TAX (ORS 316.680)

Federal estate tax on "income in respect of a decedent" is allowed as a deduction on federal return. If any of this tax is on income **not** taxed by Oregon, must add back the related deduction.

Formula:

$$\frac{B}{A} \times C = \text{Amount of addition}$$

A = Income in respect of decedent included in Federal return

B = Income in respect of decedent taxable by Oregon

C = Federal estate tax deducted on federal return

ACCUMULATED DISTRIBUTION FROM A TRUST (ORS 316.298)

Receipt of a distribution of trust's accumulated income of prior years is fully included in current year Oregon return.

No "throwback" provision as with federal.

Oregon DOES allow credit for tax paid by an OREGON trust if paid in the past two years on the same income distributed in current year.

Fiduciary Unit in Salem (503-945-8437)

FEDERAL DEDUCTION FOR LONG TERM CARE INSURANCE PREMIUMS

If you claimed a deduction for your long term care insurance premiums on your Federal Schedule A and you are claiming an Oregon long term care insurance premium credit - figure your Oregon addition as follows:

Total LTC Premiums included in <u>Federal itemized deductions</u>	x	Federal medical deductions = Oregon allowed (Sche A Ln 4)	= Oregon Addition
Total medical itemized ded			

OREGON SUBTRACTIONS
(FROM FEDERAL A.G.I.)

FEDERAL INCOME TAX (ORS 316-680 AND 316.695) (See worksheet & Chart Pages 2&3)

- Current year Federal tax **liability**
(regardless of withholdings or amounts paid or due)
- Subtracted - limited to \$5,850 max. (\$2,925 married/RDP filing separate)
- Regardless of when it is paid

"Tax" Includes:

Alternative minimum tax
Tax on IRA premature distributions
Recapture taxes

"Tax" does NOT include:

Self employment tax
Social Security (FICA) tax on tips
Advanced earned income credit payments
Household employment credits.

"Tax" is REDUCED BY:

Investment credits	Education credits
Child care credits	Child tax credits
Credit for elderly	Adoption credits
Foreign tax credit	
Jobs credit	
Energy credits	

"Tax" NOT reduced by:

Special fuel credit
Windfall tax credits
Regulated investment company credits

Earned income credit - for 1997 and after no longer required to reduce the Federal tax liability by amount of earned income credit

Additional federal tax paid or determined:

Subtract in year **paid** or **determined**, whichever is **later**
Additional tax **plus** current year tax limited to maximum for the year
\$5,850 (\$2,925 married/RDP filing separate)

OREGON SUBTRACTIONS
(FROM FEDERAL A.G.I.)

SOCIAL SECURITY AND R.R. RETIREMENT (ORS 316.054)

Not taxable by Oregon.

Subtracted to extent included in Federal AG.I. only

Social Sec. and Railroad Tier I benefits subtracted on form 40 line 14

Tier II, dual vested and supplemental RR payments as **other subtractions**.

Tier 2 unemployment/sick leave benefits also subtracted as **other subtractions**

Note: ORS 316.054 refers to this subtraction and refers only to Social Security benefits as defined in section 86 of IRC (which is Social Security and Tier I of RRR only). However, Oregon "interpretation" has included Tier II and other RR benefits as per above.

Oregon Dept. of Revenue says the law was **intended** to mean that **no** Railroad **benefits** would be taxed.

(Oregon) REGISTERED DOMESTIC PARTNER (RDP) BENEFITS

You may subtract the imputed value of certain fringe benefits provided by your employer for your qualifying same-sex domestic partner from income on the Oregon tax return. These benefits typically include, but are not limited to, health insurance and tuition payments.

You must have included the imputed value of the benefits in your federal income to claim the Oregon subtraction. The imputed value will be included in total compensation on your W-2.

OREGON SUBTRACTIONS
(FROM FEDERAL A.G.I.)

FEDERAL PENSION INCOME (ORS 316.680)

Benefits paid to retiree or to surviving spouse/RDP

Based on number of months of federal service before or after 10-1-91

100% non taxable (subtracted) if **all** federal service occurred before 10-1-91

No months of service before 10-1-91 - **no subtraction**

If service both before and after 10-1-91 - subtract percentage of pension income. Once percentage is determined it will not change from year to year.

Worksheet	
1.	Federal pension included in Oregon income _____
2.	Divide months of service before 10-1-91 by total months of service _____
3.	Multiply line 1 by line 2. Enter here and on form 40 line 17, or form 40P lines 38a and 38b..... _____

TAX CLAIMED AS ITEMIZED ON FEDERAL

If you did not claim as an itemized deduction on your Federal return it is a subtraction for Oregon and is allowed in full (Do not exceed \$5,850 (\$2,925)).

OREGON SUBTRACTIONS
(FROM FEDERAL A.G.I.)

INTEREST AND DIVIDENDS ON U.S. BONDS AND NOTES (ORS 316.680)

Subtract on Oregon **in full IF** included in Federal AGI

Includes U.S. Government (state exempt) interest from regulated investment companies and pools of assets managed by fiduciary.

Does **not** include amounts when U.S. Government only guarantees the security.

Special treatment if expenses connected with these obligations are deducted on Federal.

Reduce the subtraction by the related expense taken on federal.

NON QUALIFIED

QUALIFIED

Banks for Co-ops Dist. of Columbia
Commodity credit corporation
Federal Deposit Insurance Corp
Federal Farm Credit Bank
Federal Financing Bank
Federal Home Loan Bank
Federal Intermediate Credit Bank
Federal Land Bank
Federal Savings and Loan Ins. Corp
Financing Corporation
General Insurance Fund
Government Services Administration
Production Credit Association
Resolution Funding Corporation
Series EE, HH, and I Bonds
Student Loan Marketing Association
(Sallie Mae)

Tennessee Valley Authority

Treasury bills and notes- interest

U S Postal Service Bonds
Zero coupon obligations of U.S.
(“CATS”, “STRIPS” “TIGRS”)

Farmers Home administration
Federal Home Loan Mortgage Corp
(Freddie Mac)
Federal National Mort. Assoc.
(Fannie Mae)
Government National Mortgage
(Ginnie Mae)
International Bank of Reconstruction
Federal Tax refunds
Small Business Administration
Repurchase agreements
Treasury bills and notes - gain on sale
U. S. Merchant Marine Bonds.
*Washington DC Metropolitan Transit
Authority*.

Export Import Bank

*** If creditor has defaulted and U.S.**

Government/ export import bank is paying the interest, it is non-taxable for (*)

OREGON SUBTRACTIONS
(FROM FEDERAL A.G.I.)

U.S. GOVERNMENT INTEREST IN IRA OR KEOGH DISTRIBUTIONS (ORS 316.681)

Subtraction for interest or dividends **on U.S. Obligations** if included in distributions from IRA and Keogh Accounts.

Apply “state exempt ratio” to distributions.

Distribution must be included in federal AGI for the taxable year.

“State Exempt Interest Ratio”:

Year to date balance of qualifying interest or dividends divided by the account balance. Use account balance before current year distribution.

Year to date balance of qualifying interest or dividends:

Equal to cumulative total of those earnings less any prior year subtraction

Formula:

$$\frac{a - b}{c} \times d = \text{Oregon exempt portion of distribution for current year.}$$

a = total exempt earnings on account to date

b = total exempt part of prior year’s distribution

c = total account balance prior to current year distribution

d = current year distribution

For full year residents - applied on annuity starting date

For part year resident, ratio applied on date taxpayer established residency.

DEPRECIATION AND RELATED GAINS AND LOSSES FROM BASIS DIFFERENCES

OREGON REFUNDS IF INCLUDED IN FEDERAL A.G.I.

OREGON SUBTRACTIONS
(FROM FEDERAL A.G.I.)

MILITARY ACTIVE DUTY PAY (ORS 316.680 and 316.789)

GENERAL RULE:

Subtraction is limited to \$6,000 per active duty person
If both spouses/RDPs are military and joint return - maximum is \$12,000

ACTIVE DUTY PAY:

Generally is on W2 form as FICA wages.
Drills and weekend meetings of reserve units are **not** active duty
Reserve summer camp **is** active duty.

SPECIAL RULES FOR DRAFT YEAR OR DISCHARGE YEAR EXCLUSION:

ALL military active duty pay is excluded **IF:**

- Oregon resident
- Duty performed **outside** Oregon
- During tax year of initial draft or enlistment **or**
tax year of discharge or termination
- or → **Return** to Oregon after discharge from such duty.

If not qualified for special rules, still allowed the general rule exclusion.

INTERVENING YEARS:

Taxpayers who are Oregon **residents** by virtue of the fact that their families still remain in Oregon, will be allowed the **full** subtraction in year of entry/discharge but will be full time residents and only allowed the \$3,000 per year for intervening years

Special subtraction for active duty pay earned outside Oregon from Aug 1, 1990 through date(not yet set) the President sets as end of combat activities in the Persian Gulf is in addition to any other qualified military subtraction.

Oregon is not tied to the Federal Military Family Tax Relief Act. Therefore, if you had income exclusion or deduction, you will have an Oregon Addition.

OREGON SUBTRACTIONS
(FROM FEDERAL A.G.I.)

PREVIOUSLY TAXED EMPLOYEE RETIREMENT PLANS (ORS 316.159)

Subtraction is for **residents only**.

Subtraction of payments from an IRA, Keogh, or SEP plan

IF: The contributions have already been taxed by **another** state
AND The payments are included in federal adjusted gross income.

ALL of the following conditions must be met:

- Payments consist of contributions made while a **non resident**
- No previous state income tax deduction, exclusion, or exemption was allowed or allowable at the time the contributions were made.
- No previous state income tax deduction, exclusion, credit or subtraction or other tax benefit has been allowed for the payments.

Contributions that do **not** qualify for the subtraction:

- Contributions made during a period when the individual was a non resident required to file an Oregon return to the extent that a deduction or exclusion was allowable for those contributions.
- Or
- Contributions for which the taxpayer was allowed a credit for taxes paid to another state.

First distributions are considered to be a recovery of the above amount rather than apportioning each payment based on percentage

Subtraction continues until all qualifying contributions are fully recovered.

Once distributions equal contributions, all further distributions are taxable.

OREGON SUBTRACTIONS
(FROM FEDERAL A.G.I.)

CONSTRUCTION WORKERS AND LOGGER'S COMMUTING EXPENSES
ORS 316.832

General Requirements:

Must have worked at one or more construction projects or logging operation sites **more than 50 miles away from home.**

Construction project:

Construction, alteration, repair, improvements, moving or demolition of a **structure (building, etc. - not a highway.)**

Logging operation:

Commercial harvesting of forest products.

Qualified workers:

Construction - member of recognized union, trade, craft

Loggers: **Fallers or buckers only**
 and Must maintain own equipment
 and Be paid on **per unit** basis (not per hour)

Qualified expenses

Actual cost of gas, oil, repairs and maintenance of vehicle
No depreciation
No use of standard mileage rate
If used for both business and personal allocate by percentage

Duration of project

Construction worker - only **first** year on one site
Logger - No limit on how long at same job site.

No subtraction for expenses already taken as employee business expenses on the federal return.
Note: Since employee business expenses an itemized deduction for federal, subject to 2%, this subtraction is more valuable than pre 1986 - particularly if taxpayer does not itemize.

OREGON SUBTRACTIONS
(FROM FEDERAL A.G.I.)

OREGON LOTTERY WINNINGS (ORS 461.560 and OAR 316-680-(A))

Prior to January 1, 1998

Oregon did **not** tax Oregon Lottery winnings.

After January 1, 1998

Winnings from Oregon Lottery tickets purchased before 1-1-98 or from tickets purchased on or after 1-1-98 of \$600 **or less** are not taxed by Oregon.

Winnings of \$600 or less (per ticket) are not taxed by Oregon regardless of the total amount won for the year.

Subtract the amount of Oregon Lottery winnings from Federal AGI from tickets purchased prior to January 1, 1998 and winnings of \$600 or less from each single ticket purchase or play after 1-1-98.

If losses claimed as itemized deduction on Federal, see Oregon additions

Oregon Lottery includes all games administered by Oregon State Lottery including games jointly administered by Oregon and other states.

FEDERAL JOBS CREDIT OR WIN WAGES (ORS 316.716)

Oregon subtraction is the amount of wages you did **not** claim as a deduction on Federal because Federal requires deductible wages to be reduced by the amount of jobs credit taken.

Must be deducted on Oregon in year wages apply, even if the Federal credit is carried over to another year.

If Federal credit is related to business **not** operated solely in Oregon- must prorate the subtraction.

OREGON SUBTRACTIONS
(FROM FEDERAL A.G.I.)

AMERICAN INDIAN INCOME (ORS 316.777)

Enrolled member of a Federally recognized tribe.

Subtract any income earned while living and working in Indian country
(Includes gambling winnings from tribal gaming centers)

No limit except must be included in federal A.G.I.

Indian country: Areas set aside for the residence of tribal Indians.
Includes reservation land and other land held in trust
by U.S. Government for a tribe.

Write "American Indian" and include tribal enrollment number on return
on "Other Subtractions" line.

**Form 150-101-049 "American Indians Income Schedule" should be
completed and kept with taxpayer records.**

FIDUCIARY ADJUSTMENTS

Income reported on Federal from estate or trust which includes income exempt from
Oregon (such as Federal Bond interest) - subtraction is required on Oregon.

OREGON QUALIFIED TUITION SAVINGS PROGRAM

Beginning January 1, 2001, contributions of up to \$2,000 (\$1,000 married filing separate)
per year may be subtracted for contributions to a Oregon Qualified Tuition Savings Plan.

PREVIOUSLY TAX IRA CONVERSIONS

**Oregon allows a subtraction for traditional IRA to Roth IRA conversion if the IRA is
taxed by another state. The payments must have been included in federal income.**

COLLEGE SAVINGS NETWORK

**You can subtract contributions you made to an Oregon 529 College Savings Network
account during the tax year but not more than \$2,000 (\$1,000 if married filing
separately) per return. These state-sponsored plans qualify for special tax status as
qualified tuition programs under Internal Revenue Code Section 529.**

OREGON SUBTRACTIONS **(FROM FEDERAL A.G.I.)**

ARTIST'S CHARITABLE CONTRIBUTION (ORS 316-838)

Subtraction for artist who contributed own works of art to a recognized charitable organization or governmental unit.

Work of Art:

Painting
Sculpture
Photograph
Graphic
Craft art
Industrial design
Costume or fashion design
Tape or Sound recording
Film

Charitable organization is **not** required to use the art for the same purpose or function that qualifies it for its federal tax exemption.

May deduct charitable contribution even if charitable organization sells the art.
(After 1-1-86)

Subtraction equal to difference between:

- ▶ Amount that would have been allowed as an itemized deduction if could deduct fair market value

and

- ▶ The amount actually allowable as an itemized deduction under federal tax law. (Federal limits of 50%/30% may limit the itemized deduction)

MUST ITEMIZE ON OREGON RETURN TO CLAIM THIS SUBTRACTION

Use federal law limits (50% / 30% when computing itemized deduction.

Use fair market value.

PUBLIC SAFETY MEMORIAL FUND

Oregon now has a subtraction for amounts awarded to you or your family by the Public Safety Memorial Fund Board. The amounts must have been included in your federal taxable income. This fund is available to public safety officers who have certain job-related permanent total disabilities. These awards are also available to the family members of public safety officers who are killed in the line of duty.

OREGON SUBTRACTIONS
(FROM FEDERAL A.G.I.)

SELF EMPLOYED MEDICAL INSURANCE DEDUCTION: (ORS 316.742)

Deduction is 100% of medical insurance premiums paid during the year

For **SELF EMPLOYED** people

IN LIEU OF itemized deduction.

Oregon deduction only when NO federal deduction is available.

Oregon source health insurance premiums

Premiums paid for by Oregon business while a non resident
and premiums paid for by any qualifying business while a resident.

MORTGAGE INTEREST CREDIT - OREGON SUBTRACTION

If federal mortgage interest credit is taken, must reduce itemized deduction for mortgage interest accordingly. If itemized for Oregon, Oregon allows a subtraction for the amount of the mortgage interest credit.

OIL HEAT TANK CLEANUP COSTS

If paid by Oil Heat Commission and included in federal taxable income, the costs may be subtracted from Oregon.

UNDERGROUND STORAGE TANK POLLUTION GRANTS MAY QUALIFY FOR SUBTRACTION.

OREGON SUBTRACTIONS **(FROM FEDERAL A.G.I.)**

DEFERRAL OF REINVESTED CAPITAL GAINS (ORS 316.877)

Effective for years beginning on or after January 1, 1996 and before January 1, 2000

Allowed deferral of personal income tax on certain capital gains.

Not applicable to corporations.

Must reinvest **proceeds** from sale within 6 months of date of sale **and before December 31, 1999** if individual.

If gain reported by a partnership, S corporation, limited liability company, or limited liability partnership, you can make the reinvestment as an individual but must reinvest within six months of the entity's year end.

Reinvestment of proceeds

Must be made either directly or indirectly in a qualified business **asset**.

Qualified business **asset** is an asset held for use IN OREGON in a qualified business activity.

When gain is recognized

- ▶ When the asset ceases to be an asset held for use in Oregon in a qualified business activity.
- ▶ If an investment fund ceased to be a qualified investment fund.
- ▶ If the business ceases day to day operations or ceases to qualify
- ▶ If dispose of an asset or interest due to death or disability
If related party inherits or assumes - may elect to continue deferral.

Failure to reinvest

Must pay tax and interest is charged from date tax would have been due.

GAIN ON SALE OF RESIDENCE

GENERALLY

Oregon is now connected (tied) to Federal law - gain on sale of residence is not taxable unless it exceeds the maximum gains (federal law)

Gain excluded on federal is not taxed by Oregon

If gain is partially taxable on Federal because it exceeds the maximum \$250,000 (\$500,000 if filing joint return) or because it does not qualify for the exclusion (failed use and ownership tests) – the following may apply

Basis for Oregon **may** be different than Federal if:

1. Home was rented out and then converted to personal **and** Oregon depreciation taken was different than federal.
2. Prior **Oregon** residence sold in 1978 or prior and moved out of state for replacement (paid Oregon tax on gain but did not pay federal tax -deferred). Later moved back to Oregon and deferred gain again for Federal. Oregon basis in new residence will not be reduced by the 1978 or prior deferral adjustment on federal. **Gain may exceed the limits and become partially taxable for Federal but not for Oregon**

Pre 1979 - Oregon taxed the gain on the sale of personal residence if not reinvested **in Oregon**

After 1978 - Sale of a residence is not taxed in Oregon if it is deferred on federal return even if moved out of state and reinvested in a home in another state.

NON RESIDENT PERSONAL RESIDENCE

Oregon taxes only gain from **Oregon** residences **and** gain from out of state residences **if sold while an Oregon resident**. Do not report any gain from out of state residence that was sold (realized) while **not** an Oregon resident.

SEE CREDITS SECTION FOR MUTUALLY TAXED GAIN ON SALE/RESIDENCE

PASSIVE ACTIVITY LOSSES FOR OREGON

ORS 314.300

Oregon adopted PAL rules from Revenue Reconciliation Act of 1993 as of 4-15-95.

There is no reference to a retroactive adjustment for real estate professionals.

Without further authority, it would seem that, until re-connect date, real estate professionals would continue to report losses as passive losses.

OTHER DIFFERENCES TO PAL RULES FOR OREGON:

- Modify federal passive loss by applicable additions or subtractions as shown below
- Apply federal PAL limits to Oregon passive loss computed in step #1 above to determine how much is deductible for Oregon
Use federal AGI before modifying for additions or subtractions
- Figure difference between federal loss reported and Oregon deductible amount.
Make addition or subtraction on Oregon return.
- Keep schedule showing computations
- Keep a schedule (when applicable) of Oregon modifications allocations. (i.e. depreciation modification.

PASSIVE ACTIVITY CREDITS

May offset in full the tax credits related to a passive activity against Oregon tax liability for the taxable year.

ACTIVE PARTICIPANTS IN RENTAL REAL ESTATE ACTIVITIES

\$25,000 offset for rental real estate activities on federal applies to deductions allowed under federal and Oregon law.

Phaseout amounts (100,000/150,000) are based on **federal** adjusted gross income whether full year, part year or nonresident of Oregon.

PASSIVE ACTIVITY LOSSES FOR OREGON CONTINUED

OREGON MODIFICATIONS TO FEDERAL P.A.L RULES

ADDITIONS:

- Interest or dividends on obligations of another state
- Gain or loss on sale of certain public utility stock
- Depletion in excess of basis
- Gain on voluntary or involuntary conversions or exchanges of Oregon property reinvested outside Oregon where no election is made to defer the gain

SUBTRACTIONS:

- Gain or loss on sale of certain public utility stock where dividends were reinvested
- Interest or dividends on obligations of the U.S. government
- Wages not deducted in arriving at federal taxable income due to federal work opportunity credit claimed
- Interest or dividends on obligations of Oregon political subdivisions.

ADDITIONS OR SUBTRACTIONS:

- Differences in depreciation
- Differences in gain or loss from basis differences in sale of asset

OREGON STANDARD DEDUCTION

GENERALLY STANDARD DEDUCTION BASED ON FILING STATUS:

2010

Single	\$1,950
Married/RDP filing jointly	\$3,900
Married/RDP filing separately	
Claims standard deduction	\$1,950
Claims itemized deductions	\$ -0-
Head of Household	\$3,140
Qualifying widow (er)	\$3,900

IF CAN BE CLAIMED AS DEPENDENT ON ANOTHER PERSONS RETURN STANDARD DEDUCTION LIMITED TO:

Greater of:

1. \$950

or

2. Earned income **plus \$300** - but limited to maximum allowed for filing status above.

Applies even if the other person **can** but does **not** claim the dependent.

ADDITIONAL DEDUCTION FOR 65 OR OLDER, OR BLIND BASED ON FILING STATUS:

Single or Head of Household	\$1,200
All others	\$1,000

LIMIT ON ITEMIZED DEDUCTIONS

IF ITEMIZED DEDUCTIONS WERE LIMITED ON FEDERAL, MUST RECOMPUTE TO SEE HOW MUCH OREGON TAX TO SUBTRACT FROM ITEMIZED DEDUCTIONS ON OREGON.

OREGON ITEMIZED DEDUCTION WORKSHEET

- 1. Itemized deductions subject to limit (federal worksheet) _____

- 2. Limitation (smaller of 3% of amount by which AGI exceeds the federal income limit or 80% of itemized deductions that are affected by the limit)..... _____

- 3. Allowed deductions (line 1 minus line 2 of THIS worksheet) _____

- 4. Allowed deductions divided by deductions subject to the limit (line 3 divided by line 1) Carry decimal to three places _____

- 5. Multiply line 4 by Oregon tax as shown on federal Sch. A, Enter here and include on Oregon return form 40, form 40N, or form 40P..... _____

OREGON DEDUCTIONS

SPECIAL OREGON MEDICAL DEDUCTION

Taxpayer MUST itemize

Taxpayer OR spouse/RDP must be age 62 or older on 12/31/ 2010

Deduction is LESSER of line 1 of federal schedule A (total medical) or line 3 (7.5% of AGI) of federal schedule A.

Resulting in - allowance as a deduction for ALL medical expenses if itemize and if meet age requirements.

OREGON PERCENTAGE

PART YEAR AND NON RESIDENTS

Divide income after subtractions from Oregon column of 40P or 40N by income after subtractions from Federal column. Not more than 100% or less than 0.

ITEMIZED FOR OREGON ONLY

Complete separate schedule A for Oregon and keep copy with taxpayer records. Use Federal adjusted gross income to compute limitations.

USE ITEMIZED ONLY IF LARGER THAN STANDARD

OR Married Filing Separate Spouse Itemizes

CREDITS FOR OREGON

PRORATE FOR PART YEAR AND NON RESIDENTS - FORM 40N AND 40P

	<u>Page</u>	<u>Filing Codes</u>
Bio-fuel Consumer.....	64	
Bio-Mass production / collection.....	64 / 65	
Business energy.....	.65 / 78	
Child and dependent care.....	69	
Child Care Division Contribution.....	85	
Crop donation.....	75	
Dependent Care Assistance.....	83 / 84	
Diesel Engine replacement.....	66	
Diesel Engine Repower or Retrofit.....	90 / 91	
Earned Income Credit for Oregon	64	
Elderly or the permanently and totally disabled.....	70	
Electronic Commerce Zone Investment.....	91	
Employer Scholarship.....	82	
Exemption.....	25	
Farm worker housing.....	86	
First Break Program	85	
Fish screening devices.....	81	
Income tax paid to another state.....	72 / 73	
Individual Development Accounts.....	77	
Long Term Care Insurance Premiums.....	77	
Loss of Use of Limbs.....	73	
Low income care giver credit.....	79	
Mobile Home Moving	87	
Mutually taxed gain on the sale of residential property.....	74	
On Farm processing facilities.....	66 / 67	
Oregon Cultural Trust.....	85	
Oregon Production Investment Fund.....	67	
Political contributions.....	70	
Pollution control facilities.....	76	
Pollution Prevention	77	
Reclaimed plastics.....	75	
Reforestation.....	80	
Reservation Enterprise Zone.....	89	
Residential Energy.....	71	
Retirement income.....	88 / 89	
Riparian land.....	92	
Rural emergency medical technicians.....	67	
Rural medical practice.....	74	
Water Transit Vessel Manufacturers.....	86	
Working family child care credit	68	

CREDITS FOR OREGON

EARNED INCOME CREDIT (ORS 315.266)

Allowed only if **qualified for and claim** EIC on federal return.

Worksheet	
1.	Enter federal earned income credit _____
2.	Multiply line 1 by 6% _____
If file 40P or 40N, must:	
3.	Multiply line 2 by Oregon % _____

Oregon earned income credit is limited to tax liability. No carryover.

BIO-MASS Derivatives - Code 744

BIO-FUELS:

Are derived from BIO-MASS. They can be liquid, gaseous, or solid fuels.
Vehicle fuel blends can be either: Diesel that is at least 99%, or Gasoline that is at least 85% methanol or ethanol (E85).
Vehicles using bio-diesel fuels that are less than 99% bio-diesel do not qualify.

HOME HEATING FUELS:

Can be either: Liquid that is at least 20% bio-diesel (B20) or
Solid fuel that is 100% bio-mass (pellets).

BIO-MASS: is renewable or recurring organic matter. It comes from:

Agricultural residue. Animal renderings. Crops grown solely for use as energy. Food waste. Forest or rangeland wood debris. Wastewater solids.

TO CLAIM THE CREDIT:

If you use B99 or E85 bio-fuels in your alternative fuel vehicle, you may claim a credit of \$0.05 per gallon of bio-fuel. The maximum credit per year is \$200 (400 gallons) per vehicle. To qualify the vehicle must be registered in Oregon and be able to run on B99 or E85 bio-fuel. The vehicle must be owned or leased by you for more than 30 days.

If you use B20 or solid bio-fuel pellets you may claim a credit of \$0.05 per gallon of B20 or \$10 per bone dry ton of pellets. The maximum credit is \$200 per taxpayer per year. The bio-fuel must be your primary home space heating fuel.

Enter allowable credit as 'Other Credit' on your Oregon Income Tax Return as Code 744. Keep records for 5 years. These credits are non-refundable and no carryforward or back.

CREDITS FOR OREGON

BUSINESS ENERGY - Code 703 (See note below *)

BIO-MASS: - (Code 743)

Any Oregon business with investments in energy conservation, recycling, renewable energy resources or less-polluting transportation fuels may qualify.

QUALIFYING PROJECTS:

Improving energy efficiency, Weatherizing rental housing, Burning less-polluting transportation fuels, Recycling, Using renewable-energy resources, Reducing employee commuting.

WHO CAN CLAIM THE CREDIT:

Trade, business, or rental property owners who pay taxes for a business site in Oregon are eligible for the credit. The business, its partners, or its shareholders may use the credit. The applicant must own or be the contract buyer of the project. The business must use the equipment for the project or lease it for use at any Oregon site.

THE CREDIT AMOUNT IS:

35% of the eligible project costs. You take the credit over five years: 10% in the first and second years and 5% each year thereafter. Those with eligible project costs of \$20,000 or less may take the tax credit in one year. But the credit is not refundable and cannot exceed your tax liability.

BEGINNING IN 2007:

Certain facilities using or producing renewable energy resources are allowed a tax credit of 50% of eligible project costs. This credit is claimed at 10% each year for five years.

Also in 2007: a special credit is allowed to homebuilders for installing renewable energy systems and building high-performance homes. These credit amounts are \$9,000 and \$12,000, respectively.

You must apply for the credit before starting your project. You may request a waiver, but it is only for business hardships or circumstances beyond your control that caused you to delay your application. If you've started your project, call the Oregon Department of Energy before you submit an application. For an application, fee information, and assistance with the application process, contact the

* Oregon Department of Energy at 1-800-221-8035 (toll free from an Oregon prefix), in Salem at 503-378-4040 or go to www.oregon.gov/ENERGY.

Apply for the final tax credit certificate when your project is finished. Department of Energy staff will review your actual expenses and you'll get the final certificate about one week after you notify them. Keep a copy in your records.

Your credit cannot be more than your tax liability. Carryover up to 8 years, any credit unused in 8 years is lost.

CREDITS FOR OREGON

DIESEL ENGINE: (Code 734)

You may have purchased your diesel engine as early as 2004.

Your truck must:

1. Have a weight of more than 26,000 pounds, and
2. Be registered in Oregon under the provision of ORS chapter 803 or 826.

Your replacement diesel engine must:

1. Be purchased in Oregon on or after January 1, 2004 and
2. Be model year 2007 and later and
3. Be certified by the Environmental Protection Agency to emit particulate matter at the rate of .01 grams per brake horsepower-hour or less.

The credit amount depends on the number of trucks you own before you purchase any diesel engines.

<u>Number of Trucks owned</u>	<u>Credit Amount per Engine</u>
1-10.....	\$ 925
11-50.....	\$ 705
51-100.....	\$ 525
More than 100.....	\$ 400

The total credit for a taxpayer in one year cannot be more than \$80,000.

You must apply to the Department of Environmental Quality (DEQ) for this credit. DEQ requires a non-refundable application-processing fee of \$50 for each qualifying engine claimed. The credit cannot be more than your tax liability for Oregon. You may carry forward any unused credit over the next four years. Any credit unused within four years is lost. Credit (Code 734) expires 12/31/2011.

ON FARM PROCESSING MACHINERY and EQUIPMENT: (Code 721)

An income tax credit is available for property tax paid on machinery and equipment used for on-farm agricultural processing. Machinery and equipment must be owned and controlled by the farm operator. It must be located on land that is specially assessed under Oregon law for farm use, or adjacent to land that is specially assessed for farm use.

Processing means, in part, activities directly related and necessary to clean, sort, prepare, package or ship a farm crop or livestock product after the point of harvest and before the point of sale, in a modified state or altered form. Processing does not include activities primarily associated with promotion or retail selling of products for personal or household use that are normally sold through consumer retail distribution.

To claim the credit farm operators must have grown or raised one-half of the products processed with qualified machinery and/or equipment in three of the last five previous income tax years - OR - at least one-tenth of total volume of the products described above.

CREDITS FOR OREGON

On Farm Processing - continued

The credit is the smaller of the effective property tax rate (the total imposed property taxes divided by the assessed value) multiplied by the adjusted basis of qualified processing machinery and equipment, OR \$30,000.

The adjusted basis is increased by the cost of any qualified machinery, and equipment you elected to expense under section 179 of the Internal Revenue Code.

The credit is not allowed if the processing property is fully depreciated for income tax purposes. This credit is in addition to any depreciation or amortization deduction that you are entitled to claim. Do not adjust your basis by the amount of this credit.

The Credit is claimed as an 'other credit' (Code 721) on your Oregon income tax return. Keep records to prove production and processing volume for at least 10 years. Credit will expire 12/31/07. Credit cannot exceed your tax liability for Oregon Carryforward 5 years after which unused are lost.

OREGON PRODUCTION INVESTMENT FUND

TOTAL CREDITS CERTIFIED EACH YEAR BY THE FILM & VIDEO OFFICE ARE LIMITED TO \$5,000,000 - FIVE MILLION

Individual or corporation can claim the credit. Contributions go to the Oregon Film & Video Office.

Contribution will be equal to 90% (.90) of the tax credit. Divide your contribution by 90% to calculate your credit. Exception: Because credits are limited to \$1 million per year, you can get certification for a partial credit depending on the available credits in the fund at the time you apply.

Watch charitable contribution on Federal and Oregon. If credit on Oregon add back the Oregon charitable deduction.

Credit for the year cannot be more than your tax liability. Carryforward up to three years, any credit unused after the three years is lost.

RURAL EMERGENCY MEDICAL TECHNICIANS (EMTs) CREDIT

This credit is set to end 12/31/2010.

A volunteer EMT with 20% of total annual service in a rural area which is an area that is located at least 25 miles from any city with a population of 30,000 or more,.

The credit is the lesser of \$250 or tax liability for the year. There is no carryforward.

Eligibility must be certified annually by the Office of Rural Health: 503-494-4450.

CREDITS FOR OREGON

WFC: WORKING FAMILY CHILD CARE CREDIT -ORS 315.262

Available to low income families with **qualified child care expenses**

- ◆ Federal AGI less than limit for HH size (tables)
- ◆ Expenses for child under age 13, or if they qualify as disabled child for Oregon tax purposes.
- ◆ Care is not provided by child’s parent or guardian (Unless provided in a licensed child care facility)
- ◆ Care is not provided by a brother or sister who is under age 19.
- ◆ Earned income of at least \$7,900
- ◆ Less than \$3,100 in investment income (generally interest, dividends and capital gains)
- ◆ If married filing separately, must be legally separated or living apart on 12-31 of tax year.

<u>Worksheet</u>	
Household size	
1. Enter number of exemptions reported on Federal return	1. _____
2. Add any children you have custody of but do not claim their exemptions.....	2. _____
3. Line 1 plus line 2. This is your household size.	3. _____
Credit amount	
4. Enter federal AGI	4. _____
5. Enter decimal amount from correct table..	5. _____
6. Enter total child care expenses	6. _____
7. Multiply line 5 by line 6 - Your credit	7. _____
Enter result on line 7 on Oregon tax return.	
Non residents and part year residents	
◆ Multiply line 7 by Oregon percentage	8. _____
Working family child care credit is now a refundable credit	

CREDITS FOR OREGON

CHILD AND DEPENDENT CARE CREDIT (ORS 316.078)

(Codes: 40N Only 745, Carryforward Credit only 704)

Oregon credit is no longer a percentage of federal credit **but** only allowed Oregon credit if you **qualify** for federal credit. (Not necessary to **claim** the credit, only **qualify**)

WORKSHEET FOR OREGON CREDIT

1. Enter your federal amount from Form 2441: (1) _____

Do not enter more than \$3,000 - one qualified child.

Do not enter more than \$6,000 - two or more qualified children.

2. Enter the decimal amount from the following table (2) x _____

If federal taxable income	is:	Your decimal amount	is:
Over	Not over		
-----	\$ 5,000	.30	
\$ 5,000	\$10,000	.15	
\$10,000	\$15,000	.08	
\$15,000	\$25,000	.06	
\$25,000	\$35,000	.05	
\$35,000	\$45,000	.04	
\$45,000	---	.00	

3. Multiply the amount on line 1 by decimal amount on line 2. Enter result here (3) _____

4. Multiply any prior year child and dependent care expenses paid during the current year by the decimal amount that applies to your prior year federal taxable income. Enter the result (4) _____

5. Add the amounts on line 3 and 4. Enter result. (5) _____

PART YEAR AND NONRESIDENTS MULTIPLY LINE 5 BY OREGON PERCENTAGE

CARRYFORWARD:

Child care credit can not be more than tax liability.

If it is, excess can be carried forward over next five years.

If not used in next five years -- credit is lost.

OREGON CREDITS

CREDIT FOR ELDERLY OR DISABLED (ORS 316.087)

40% of federal credit amount

May claim EITHER this credit OR retirement credit, not both.

Non residents must multiply by percentage

POLITICAL CONTRIBUTION CREDIT (ORS 316.102)

Must contribute **money**

Cash contributions to fund raisers that include such things as raffles, gifts, or dinners do **not** qualify. Contributions of goods or services do **not** qualify.

Must be for one of the following:

Candidates - for nomination or election to federal, state, or local office in any primary, general or special election.

Committees - (Political action committees) including trusts, associations, and other organizations eligible to receive contributions for which taxpayer may claim a credit.

Organized to serve one of two purposes:

1. influence or attempt to influence nomination or election of candidates voted on in Oregon
2. support, oppose, or provide information about ballot measures or questions to be voted on in Oregon

Must have certified name of political treasurer to appropriate filing officer

Political parties

Can be national, state or local committees of major political parties.

Oregon also allows credit for contributions to minor political parties that qualify under state law. (Contact Oregon Secretary of State's Office to see if a particular party qualifies.)

Newsletter funds contributions do not qualify for credit

CREDIT LIMITS:

Amount of contribution:

Not to exceed \$100 joint return. OR \$50 single or separate return.

Credit is the amount of the contribution

Credit can not exceed tax liability - no carryover

OREGON CREDITS

RESIDENTIAL ENERGY CREDIT (ORS 316.116)

Qualified devices (only if recognized by Oregon Office of Energy)

- Premium efficiency appliances and duct systems (includes sealing existing duct work)
 - Solar water and space heating systems
 - Solar electrical systems
 - Closed loop geothermal space or water heating systems
 - Photovoltaic systems
 - Alternative fuel vehicles and charging/fueling systems
- Beginning January 1, 2000 - fuel cells and wind system also qualify**

NON qualified devices- Used devices, repairs or replacements

- Hydroelectric projects
- Standard furnaces and standard back up heating systems
- Wood stoves, furnaces, or any wood burning system or its components
- Swimming pools, hot tubs, or spas used to store heat or swimming pool covers or enclosures
- Un-insulated above ground swimming pools, hot tubs, or spas
- Photovoltaic systems installed on recreation vehicles

Credit based on performance of device defined as "first year energy yield" (amount of energy, in kilowatt-hours, the device saves in 1st year)

Hot water heating device base - hot water use of 75 gallons per day at 120 degrees F

Space heating devices base on heating load of the dwelling. Device must provide at least 10 percent of the building space - heating load

Solar electrical energy - generating devices - base on electrical load of the dwelling. Device must provide at least 50 percent of the building electric load.

Amount of credit: (lesser of)

Premium efficiency appliances

- ▶ First year energy yield in KWh multiplied by 40 cents not to exceed \$1,500_or
- ▶ 25% of the net cost of the appliance, not to exceed \$1,500

Photovoltaic, solar or geothermal domestic water heating/space heating systems

- ▶ \$1,500_or first year energy yield of the device in kWh multiplied by 60 cents

Solar pool or spa heating systems

- ▶ 50 percent of the cost of the device, not to exceed \$1,500 or
- ▶ First year energy yield multiplied by 15 cents, not to exceed \$1,500

Premium efficiency duct systems: 25% of the cost of the work, not to exceed \$250

Alt. fuel vehicles and fueling/charging systems: 25% of cost of vehicle or device, not to exceed \$750.

DWELLING UNIT: Principal residence or secondary residence. **Must be located in Oregon.**

Solar, geothermal or alternative fuel fueling/charging systems installed in rental houses
Only if renter may claim the tax credit.

Devices serving more than one residence can qualify.

Claim in year placed in service or in year applied for certification if in service by
April 1 of following year.

Available to owners and renters - must be the person who paid all or that part of the cost of the device for which credit is claimed. Persons sharing cost also share the credit.

Owner or builder who does not qualify may transfer eligibility certificate to first purchaser

Property tax exemption - Must contact county assessor

Limited to tax liability - carryover 5 years - After 5 years it is lost.

OREGON CREDITS

INCOME TAX PAID TO ANOTHER STATE (ORS 316.082)

State income tax only

Not city, county, school, sales, or property tax

Not taxes that are not based on income such as:

Idaho permanent building fund tax

Washington business and occupation tax

OREGON RESIDENTS

If pay income tax to both Oregon and another State.

Tax must be on same income taxed by both states.

Credit is lesser of:

Tax actually paid to other state

Oregon tax liability

or Amount figured with Formula I

Oregon residents can not claim credit on Oregon return if the income is taxed by both Oregon and one of the following states.

Arizona, California, Indiana, or Virginia

Oregon residents must claim the credit on their nonresident return filed with these states.

FORMULA I:

AGI taxed by both states

Modified AGI

X

Oregon tax after

all other credits

Modified AGI:

= for a resident:

federal AGI modified by Oregon additions and subtractions

= for a part year or nonresident:

federal AGI which is taxable to Oregon, modified by Oregon additions and subtractions.

FORMULA II:

AGI taxed by both states

Total income on the other
state's return

X

Tax due to other
state after credits

OREGON CREDITS

INCOME TAX PAID TO ANOTHER STATE (ORS 316.082)

PART YEAR RESIDENTS

Claim credit for the part of the year a non resident of Oregon if pay taxes on same income taxed by both and Oregon and one of the following:

Arizona, California, Indiana, or Virginia

Claim credit for part of the year a resident of Oregon if pay taxes on same income in a state other than above.

Credit is lesser amount figured with

Formula I

Formula II

Oregon tax

Tax actually paid to other state.

MODIFICATIONS REQUIRED:

Can not claim credit for taxes paid to another state and also claim those taxes as an itemized deduction.

Add back lesser of:

✓ tax liability to other state for the year in which Oregon credit is claimed

Or

✓ amount of the other state's tax for the year claimed as an itemized deduction

LOSS OF USE OF LIMBS (ORS 316.079)

Credit is for those who have permanent and complete loss of two limbs.

Credit equals \$50 per person. Cannot be claimed for a dependent.

Obtain disability certification form from your county public health officer - it must be signed by them - Keep in your permanent health records.

You also qualify for an additional exemption for severely disabled persons.

OREGON CREDITS

MUTUALLY TAXED GAIN ON SALE OF RESIDENTIAL PROPERTY (ORS 316.109)

If gain on sale of residence is taxed by both Oregon and another state.

Can not claim both this credit and a credit for taxes paid to another state.

Credit is **lesser** of:

- | | | | |
|---|----------------------------|---|---------------|
| ★ | <u>Mutually taxed gain</u> | | Other state |
| | Total income on return | X | country's tax |
| | of the other state or | | after credits |
| | country. | | |

OR

- ★ 8 percent of the gain taxed by the other jurisdiction

Mutually taxed gain - total gain on the sale reduced by any deductions or exclusions allowed by either the other state/country or by Oregon.

RURAL MEDICAL PRACTICE CREDIT (ORS 316.143)

For those who practice medicine in certain rural areas of Oregon.

Physicians, physicians' assistants, certified registered nurse anesthetists, and nurse practitioners may qualify.

Taxpayer must have rural practice that amounts to 60 percent or more of total practice.

S Corp and Partnerships do **not** qualify, but the shareholders and partners may qualify.

Non residents/ part year residents may qualify based on Oregon percentage of income ratio.

Credit amount: Lesser of \$5,000 or taxpayer's tax liability for the year
Credit may be claimed for as long as taxpayer has retained qualifying practice
(Former 10 year limit has been repealed)

No carryover of unused credits.

Written certification of eligibility certificate must be obtained from the Office of Rural Health. Certificates will only be issued for tax years beginning before 2002.

OREGON CREDITS

DONATED CROPS (ORS 315.156)

For crops donated to a gleaning cooperative.

Must be crop grown primarily for cash

Must be usable for food for **human** beings at time of donation

Must have donated because otherwise would go to waste

Must meet **ONE** of the following qualifications:

- ★ Supplied crop contract quota to the wholesale or retail buyer
- ★ Taxpayer, the grower, is a party to a contingent supply contract, and the wholesale or retail buyer reduces the crop quota you reasonably expected to supply
- ★ Harvesting the crop for sale in normal course of business is no longer economically feasible.

Credit = 10% of the wholesale market price at time of donation.

Requires copy of form 150-191-240, with tax records to verify donation.(from the co-op)

Credit limited to tax liability.

Carryover unused credit for **three** years. Unused after three years is lost.

RECLAIMED PLASTICS CREDIT (ORS 315.324) (Code 726 for carryforward)

For investors in business that:

- Collects, transports or processes reclaimed plastics
- or Manufacturing products from reclaimed plastics.

For investments made before December 31, 2001. Watch for 5 year carryforward AND possible Depreciation or Amortization which may have been taken.

Reclaimed plastics:

- Plastic from industrial, commercial or consumer waste
- Plastic product of real economic value.

Must be used to manufacture a plastic product, not for medical or food purposes. More than 50% of plastic used in product must be reclaimed plastic.

Must be purchased (reclaimed) from a separate recycler or industrial producer of plastic waste

Maximum credit allowable in **any one year** is the lesser of taxpayers liability or 10% of certified cost.

Total credit is up to 50% of certified cost of taxpayer's investment, equally over 5 years.

May take credit **in addition to** depreciation or amortization.

Can not claim business energy tax credit on same project.

Carry forward five years. Limited to tax liability each year.
Disposition of property requires written notice to DEQ

OREGON CREDITS

POLLUTION CONTROL FACILITIES (ORS 315.304)

Business investment in equipment to prevent, control or reduce air, water, solid waste, hazardous waste, used oil or noise pollution.

Can not claim if property tax exemption on property is claimed

Either owner or lessee, but not both may claim the credit.

Facility must be completed before 12-31-2007 to qualify. Application for certification must be submitting by 12-31-2008

The maximum percentage will be reduced according to these conditions:

50% of facility cost - IF construction commenced before 1/1/01 and is completed before 1/1/04; and Certified under the 1999 Edition of ORS 468.155 to 468.190

35% of facility cost - IF application is filed after 12/31/01 and facility does not qualify for the 50% credit but does meet the following:

- Certified facilities cost does not exceed \$200,000
- Construction or installation of the facility is voluntary
- The applicant is ISO 14001 certified or uses an environmental management system at the facility
- A Green Permit applies to the facility
- The facility is used for one of the following purposes:
Nonpoint source pollution control; Confined animal feeding operation; Material recovery or recycling; or Energy recovery in an agricultural or forest product operation

If the 35% credit does not apply use the following:

- 25% - If construction commenced 1/1/01 through 12/31/03
- 15% - If construction commenced 1/1/04 through 12/31/05
- 0% - If construction commenced after 12/31/05

Carryover is allowed for three years. An additional three years can be allowed if the credits have not expired as of the 2001 tax year and the facility remains in operation during the additional carryforward period.

Depreciation or amortization still allowed. No basis adjustment required.

Requires DEQ preliminary certification before construction begins and final certification when completed.

OREGON CREDITS

POLLUTION PREVENTION (ORS 315.311)

Business credit - processes installed on or after 1-1-96 and before 12-31-99

Cost of installing pollution - prevention production technology or processes.

Technology must be certified by Dept of Environmental Quality (DEQ)

Technology used by-Dry cleaners, Chromium Electroplaters, Halogenated solvent users

Wood products processes do not qualify

Must be installed at business location owned or leased by taxpayer.

Maximum credit per year is 1/10 of cost of installing the technology/processes.

Credit cannot exceed tax liability for the year-Carryforward 3 years, lost if not used.

Credit can be claimed for five consecutive years

No basis reduction required

Can not claim pollution control credit for same process.

Certified costs may not exceed \$75,000 for any one business location

If sell, change or remove technology, must notify DEQ in writing. New owner can apply for certification on any credit not previously claimed. Prior owner would still be entitled to any carryforward amounts not yet taken on previously claimed credits.

INDIVIDUAL DEVELOPMENT ACCOUNTS (ORS 315-271)

Charitable contributions made through a Enterprise Foundation for the Oregon individual development account program.

Credit equals the lesser of \$75,000 or 75% of the donation made. Cannot claim both the credit and the charitable deduction. Any federal itemized deduction for this contribution must be reported as an addition on your Oregon return.

Any excess not used the first year may be carried over for the next three years.

LONG TERM CARE INSURANCE PREMIUMS (ORS 315-610)

Policy issued on or after 1/1/2000. Beneficiaries must be you, your parents, or your dependents.

Employers providing long term care insurance for their employees may also claim this credit.

Credit equals the lessor of 15% or \$500 (Employers = total premiums for all employees)

Cannot exceed tax liability and there is no carryforward.

OREGON CREDITS

BUSINESS ENERGY CONSERVATION FACILITIES (ORS 315.354)

Equipment and installation costs of energy conservation, renewable resources, weatherizing rental housing, using renewable energy resources, burning less polluting transportation fuels, reducing employee computing, and recycling projects.

Business owner or contract purchaser only can claim credit.

Partners, sole proprietorships, S corp shareholders.
(based on pro rata share of cost of the project)

Change in ownership- Certificate revoked.

New owner may apply for new certificate to claim the balance of credit not claimed by original owner.

Nonresidents may claim the entire credit - do not have to multiply by Oregon %

Must be in Oregon and show preference to Oregon producers of recyclable materials.

Conservation projects must reduce energy used:

- ◆ to heat water - by 50 percent
- ◆ in a commercial and industrial process by 10%

Renewable source projects must

- ◆ Use solar, wind, hydro, geothermal, or biomass resources (straw, forest slash, farm or forest wastes, industrial wastes) to produce energy

or ◆ Reduce electricity, oil, or natural gas use by 10 percent

Heat recovery projects must reduce energy loss by 30 percent.

Transportation projects must reduce miles traveled for businesses or employees who commute to and from work.

Hydroelectric or geothermal plants generating over one megawatt of installed capacity do **not** qualify unless used for research or demonstration purposes

Facilities processing municipal waste do not qualify

Maximum facility cost is \$100,000

Total credit is 35% of cost of project - if cost of project is \$20,000 or less, credit can be used all in one year provided it does not exceed tax liability. For projects over \$20,000, take credit over 5 years, with 10% of eligible costs claimed in the first and second years and 5% each year thereafter.

Carryover unused credit for eight years

Can not claim pollution control, reclaimed plastic or alternative energy credit on same project or device.

No basis adjustment required - still may take depreciation/amortization

OREGON CREDITS

LOW INCOME CAREGIVER CREDIT (HOME CARE OF A LOW INCOME PERSON AGE 60 OR OLDER (ORS 316.148))

Care must keep person from being placed in a nursing home.

QUALIFIED TAXPAYER (CARE GIVER):

Household income less than \$17,500

Includes income of both husband and wife

QUALIFIED ELDERLY PERSON: Must meet all of the following:

- ✓ At least 60 years old
- ✓ Is not in a nursing home or mental institution
- ✓ Does not receive medical assistance from state welfare
- ✓ Qualifies for Oregon Project Independence during the tax year.
 - ▶ have severe problems with communication, mobility, managing a household, nutrition, personal relationships, managing money, health, or other problems caring for oneself.
 - ▶ must be severe enough that would normally be placed in a nursing home.
- ✓ Does not receive services from Oregon Project Independence.
Includes housekeeping, homemaking and home health care.
- ✓ Has household income of \$7,500 or less and (guess what?) the value of the support provided by the care giver is considered a gift and therefore, the excess over \$500 must be included in the person's household income.

AND THIS GREAT CREDIT IS:

Lesser of: \$250

or 8% of qualifying expenses paid or incurred during the year

AND -- THIS IS REALLY GREAT! Qualified expenses include food, clothing medical and transportation expenses but **not lodging.**

Dept. of Human Resources must certify that person qualifies.
(If you find one, we would like to know about it so we know this credit is being useful)

OREGON CREDITS

REFORESTATION CREDIT (ORS 315.104)

Individual, corporation, S corporation or other **non-public** legal entity **who:**

- ◆ Owns or is purchasing under recorded contract **or** leases at **least five acres - in Oregon** capable of growing a commercial forest.
- ◆ Spends at least \$500 on the project
(not including funds provided by state or federal cost share programs.)
- ◆ Develops land into a commercial forest.

Not Christmas trees, ornamental shrubs or plants

Not to reforest any forest land that has been commercially logged to extent reforestation is required.

Change in Ownership between time project completed and forest is established.

Only **original** owner may claim balance of credit.

If not established for reasons within taxpayer's control

original owner must repay original 15% credit previously received.

If not established for reasons beyond taxpayer's control

Do **not** have to repay the 15% credit received when filed preliminary certificate but may not claim the second 15%

Qualified expenses:

Actual expenses for labor, supervision, materials and equipment operating costs.
Not cost of equipment or tools used in project that have useful life of one year.
These must be depreciated and may claim allowance for depreciation as a cost limited to actual years of the project.

Must be inspected by Oregon Dept. of Forestry/Preliminary certificate must be obtained by 12/31/2011.

Total credit 50% of cost - trees planted prior to 2001 are eligible for 30% credit.

Claim one half for year preliminary certificate is issued.

Balance of credit 25% of costs plus 50 percent of any additional maintenance costs must be claimed after the new forest is established according to State Forestry specifications and final certificate is received.

Credit can not exceed tax liability. Carry forward **three** years.

If not used in three years, it is lost.

OREGON CREDITS

FISH SCREENING DEVICES (ORS 315.138)

When Oregon Dept. of Fish and Wildlife determines a fish screening device is needed and requests taxpayer to install the device.

Total credit - 50% of net costs or \$5,000 (lesser of)

**Credit can not exceed tax liability - Carry forward five years.
Depreciation or amortization allowed. No basis adjustment required.**

- 1) If person responsible installs the device within 180 days of the request they receive up to \$10,000 or 2/3 of the cost (lesser of) of the device in reimbursement leaving 1/3 to be used to claim credit.
- 2) If person responsible wants department of Fish and Wildlife to construct the device, Fish and Wildlife will assess the individual responsible an amount that does not exceed \$5,000 or 1/3 of the construction and installation costs (whichever is less)
- 3) If person responsible does not comply within 180 days by installing (or requesting Dept. install) the device, the DOFW will construct the device and assess individual responsible for the **full** cost of construction and installation in an amount not to exceed the average cost for diversions of that size.

THIS LOOKS LIKE MANDATORY, RATHER THAN A "REQUEST"!!!

OREGON CREDITS

EMPLOYER SCHOLARSHIP (ORS 315.237)

Credit is for businesses who set up a qualifying scholarship program for their employees.

Credit is equal to 50% of the amount actually paid to or on behalf of qualified employees and their dependents during the tax year. Maximum credit in any year to be \$50,000.

Oregon Student Assistance Commission must certify program.

Cannot exceed tax liability, can be carryforward 5 years.

OREGON CREDITS

DEPENDENT CARE ASSISTANCE CREDIT (ORS 315.204) 10 year carryforward

Employers credit for amounts paid or incurred during taxable year for dependent care assistance.

Information and referral services (ORS 315.204(4))

Services used to help employees find dependent care
Credit = 50% of amount paid by employer for the services

Assistance (ORS 315.304(1))

Payment by employer for care of employee's dependents

Qualified dependent receiving care:

Must be an employee's:

Dependent under the age of 13

or Dependent who is physically or mentally incapable of self care

or Spouse/RDP who is physically or mentally incapable of self care

Credit for assistance - lesser of:

50% of qualifying expenses paid by employer

or \$2,500 per employee who actually receives the assistance.

Must have written dependent care assistance plan

Only care provided in Oregon qualifies

**Care provider can not be the spouse/RDP, dependent, or child under age 19
(of the employee)**

Business deduction IS reduced by amount of the credit.

Dependent care assistance paid by employer can **not** be used by employee for dependent care credit on their own tax return.

If dependent care payments exceed either employee or spouse's/RDP's earned income, excess payment must be added to gross income

OREGON CREDITS

DEPENDENT CARE FACILITIES (ORS 315.208) (10 year carryforward)

Employer credit for **facility** to provide job-site dependent care for employees.

Generally - facility must be located within two miles of job site and operating prior to 1/1/02.

Qualified facility:

- Must be located in Oregon
- Must accommodate six or more children
- Must be used for dependent care on last day of normal operating year of employer
- Must first provide services for employee's dependents but may provide services for non employees if space allows.
- Those receiving care must be same as those listed for dependent care assistance (prior page)
- Employer must have a written dependent care assistance plan
- Facility **operator** must hold a certificate of approval (either permanent or temporary) on last day of each tax year in which a credit is claimed.
Certificate issued by Children's Services Division, Department of Human Resources.

Credit is: lesser of:

- 50% of cost of facility
- or \$2,500 multiplied by number of full-time equivalent employees
- or \$100,000

Joint venture - More than one employer may jointly set up a facility and prorate the credit.

TOTAL CREDIT TAKEN IN EQUAL AMOUNTS OVER TEN TAX YEARS (Carryforward)

Depreciation **deduction** (not basis) reduced by credit.

Must be certified by Oregon Dept. of Human Resources.

Partners or S corporation shareholders may claim portion of credit based on percentages of ownership interest

OREGON CREDITS

FIRST BREAK PROGRAM (ORS 315.259)

Sunsets 12/31/2004

Available to **employer** who hire gang-involved or gang-affected youths age 14-23
Pre 1999 - max age was 17

Participation limited to 1,500 youths statewide.

Last certificates of eligibility must be issued to qualifying youth by 12-31-2004

Credit: - 50% of wages paid, maximum credit of \$1,000 per youth-employee per year
for up to two years.

Available credit for second year requires minimum of 18 consecutive
months of employment by the eligible youth employee.

Employers must provide at least 80 hours or \$400 worth of training to each youth-
employee to get the credit for the second year of employment. This provision
not applicable to youths enrolled in academics or vocational programs.

Certificates are issued by designated community organizations and program is
administered by Oregon Employment Dept.

Credit can not exceed tax liability - **Carryforward 5 years -then lost - ended 2009.**

Non residents - claim percentage

CHILD CARE DIVISION CONTRIBUTION (ORS 315.213)

Contributions made to the Child Care Division or a qualified community agency.

The Child Care Division of the Employment Department will calculate your allowable credit and issue
a certificate.

Cannot exceed tax liability. Unused credit can be carryforward for four years. Then lost.

OREGON CULTURAL TRUST (ORS 315.675)

Donations to an Oregon non-profit cultural organization are eligible for a credit if you make a matching
contribution to the Trust for Cultural Development Account.

100% of the matching contribution up to \$500 per taxpayer (\$1000 Joint) - Corporations may claim a
credit of up to \$2500 per tax year.

Cannot exceed tax liability and no carryforward.

OREGON CREDITS

FARM WORKER HOUSING CREDIT (ORS 315.164)

For taxpayers who build or restore **farm worker** housing

For seasonal **OR** year around farm workers and families

Housing must be occupied at some time during the year by **farm worker**

Housing can't be used for any other purpose except housing farm workers

Housing must be **in Oregon** and begun on or after 1-1-90.

Must be completed before credit can be claimed.

May be claimed by S Corp shareholders and partners based on ownership percentage.

Nonresidents and part year residents can claim if **project in Oregon**

Credit is 30% of cost paid or incurred to complete housing project.

(For projects completed before 1-1-96, and projects beginning 1/1/02 the credit is 50% of costs)

Taken equally over ten years.

Eligible costs:

- Capital improvements only
- finance costs
- construction costs
- excavation costs,
- permit costs.

Cost to purchase **land** is **not** included.

Depreciation and amortization not decreased.

No basis adjustment required.

Must be inspected and approved by OR-OSHA **prior to** occupancy.

Must comply with all health and safety standards

Credits can not exceed tax liability.

Carryover for nine years on FIFO basis.

WATER TRANSIT VESSEL MANUFACTURE

New in 2006. Oregon employers who hire workers to build water transit vessels can receive a tax credit for a portion of the wages paid during the year. This credit will expire for tax years beginning aftger December 31, 2012.

The credit is for wages paid to an employee during the tax year. The employee must have been first employed during the year the credit is claimed. The wages must also represent an increase in the number of full-time equivalent employees compared to the previous tax year.

Do not include in wages any federal funds received for on-the-job training. For tax purposes, do not reduce your payroll costs or other expenses by the amount of any credit you receive.

S Corporations and partnerships are eligible to lcaim this credit.

Part-year residents and nonresidents: If you meet the eligibility requirements, you may receive a credit. Multiply the credit by your Oregon percentage on Form 40N or 40P.

The Credit for the tax year is the lesser of:

 \$5,000. OR 15% of the qualifying wages paid during the tax year; OR

 The tax liability of the taxpayer for the tax year.

There is no carryforward of unused tax credits.

No certification required, but you must keep detailed records of your computations.

OREGON CREDITS

MOBILE HOME or MANUFACTURED HOME INVOLUNTARY MOVE CREDIT (ORS 316.153) ONE TIME ONLY FOR INVOLUNTARY MOVES MADE IN 2006 ONLY (taken over 3 years.)

Mobile Home Park Closure (New in 2006)

(Form 'MPC' new in 2008)

Did you move out of a mobile home park in 2009 or 2010 because the park was closing?

If so, you may be eligible for a **credit**. To qualify you must meet **all** of the following requirements:

Own your mobile home,•

Rent space in a mobile home park that is closing,•

Occupy your mobile home as your principal • residence,

Receive notice that the park is closing, and•

Move out (along with all members of your house• hold) of the mobile home park because of the park closure

If you qualify, you can claim a \$5,000 refundable credit on your tax return for the year that your household moved out of the closing park. To claim this credit, fill out Schedule MPC and enter the credit amount on your return. Attach Schedule MPC to your tax return.

This credit will expire January 1, 2013.

Note: If you qualify for this credit, you may have received a payment from your landlord of \$5,000, \$7,000 or \$9,000 depending on the size of your mobile home. These payments can be subtracted on your Oregon return if you claim the taxable income on your Federal return.

OREGON CREDITS

RETIREMENT INCOME CREDIT (ORS 316.157)

Age 62 or older for 2009 - **Must be an Oregon resident**

Receiving **retirement income**, that is included in **Oregon taxable income** including:

- U S Government pensions (includes military)
- State or local government public pensions
- Employee pensions
- Individual retirement plan
- Employee annuity plan
- Deferred compensation plan including defined benefit, profit sharing and 401 (K)

Household Income:

Must be under \$22,500 for single or \$45,000 if joint filing.

Includes all income (taxable and nontaxable) received during year except Social Security and Tier 1 RR benefits.

Include gross income less adjustments reported on federal (AGI)

Household income sources:

Combine all income from a particular source to arrive at net income from that source. Any net loss from that **source** is limited to \$1,000. NOL carry over not allowed.

Sources: Business
 Farm
 Rental or royalties
 Dispositions of tangible or intangible property.

Household income not included in federal AGI that must be included are (but not limited to)

- Veterans and military benefits
- Gifts and grants (total amount minus \$500)
- Disability pay
- Nontaxable dividends (other than return of capital dividends)
- Inheritance
- Insurance proceeds
- Nontaxable interest
- Lottery winnings
- Railroad retirement TIER 2 ONLY
- Scholarships
- Welfare (Some)

OREGON CREDITS

RETIREMENT INCOME CREDIT WORKSHEET

- | | |
|---|-----------|
| 1. Enter retirement income of eligible individual(s) | 1. _____ |
| 2. Enter Federal Pension of eligible individual(s) | 2. _____ |
| 3. Net Oregon taxable pension add lines 1 and 2 | 3. _____ |
| 4. Enter \$7,500 (\$15,000 if married filing jointly). | 4. _____ |
| 5. Enter the total Social Security and Tier 1 RR Retire.benefits. | 5. _____ |
| 6. Line 4 minus 5 , but not less than -0- | 6. _____ |
| 7. Enter HOUSEHOLD INCOME (see HH income definitions)
(Do not include SS or RRRT benefits) | 7. _____ |
| 8. Household income base. Enter \$15,000 (\$30,000 if
married filing joint return) | 8. _____ |
| 9. Line 7 minus line 8, but not less than -0- | 9. _____ |
| 10. Line 6 minus line 9, but not less than -0- | 10. _____ |
| 11. Enter the lesser of line 3 or line 10 | 11. _____ |
| 12. Multiply line 11 by 9% (.09) Credit for form 40 | 12. _____ |

RESERVATION ENTERPRISE ZONE (ORS 385B.773)

Businesses located in Oregon reservation enterprise zones that pay tax to tribal governments may claim a credit against their Oregon income tax.

Obtain the Reservation Enterprise Zone Tribal Tax Credit Form 150-102-046 either online(www.oregon.gov/ECDD) or through the Department of Revenue 503-986-0123.

Cannot exceed tax liability and cannot be carryforward.

OREGON CREDITS

Diesel Engine Repower or Retrofit: Code 734

Temporary provisions relating to diesel engines, following ORS 315.356.

Taxpayers may claim a credit for certified costs incurred in repowering or retrofitting certain diesel engines.

The Credit is equal to:

25% of certified costs of a qualifying diesel engine repower, OR
50% of certified costs of a qualifying diesel engine retrofit.

To qualify for a diesel engine **REPOWER**, you must scrap a vehicle's old diesel engine and replace it. The vehicle must be used primarily nonroad in Oregon. The engine can be replaced with:

A new engine;

A used engine or a remanufactured engine; OR

Electric motors, drives, or fuel cells.

The replacement must have a minimum useful life of seven years.

To qualify for a diesel engine **RETROFIT**, the original diesel engine is re-equipped with new emissions reducing parts or technology. A retrofit must use the greatest degree of emissions reduction available for the particular application of the equipment.

The retrofit credit is for vehicles designed for use on public roadways. To qualify for either credit, at least 50% of the engine's use for the three years following the repower or retrofitting must occur in Oregon. This credit is not in lieu of any depreciation or amortization deduction that is otherwise allowed. Do not adjust your basis by any tax credits you receive.

To Claim the credit, qualifying repowers and retrofits are defined by the Environmental Quality Commission's rules. The Department of Environmental Quality (DEQ) will certify costs. For more information, visit their website at www.deq.state.or.us/aq/diesel/taxcredit.htm.

OREGON CREDITS

Diesel repowers and retrofits - (continued)

Credit transfer may be made if a certification transfer notice is filed with Department of Revenue before the first tax year for which a credit will be claimed. Go to www.oregon.gov/DOR/PerTAX/formspit.shtml for Form 150-101-179.

Part-year residents and nonresidents must multiply your allowable Oregon credit by your Oregon percentage on Form 40P or 40N.

Carryforwards: This credit cannot be more than your tax liability for Oregon. You may carry forward any unused credits over the next three years. Any credit not used within three years is lost.

ELECTRONIC COMMERCE ZONE INVESTMENT (ORS 315.507)

Credit available to individuals and businesses engaged in electronic commerce in an Oregon enterprise zone or city designated for electronic commerce.

Based on investments made during the tax year.

Credit is 25% of the investment for the year. Maximum credit in any tax year \$2 million

Details on how to claim this credit can be obtained from the Economic and Community Development Department.

Cannot exceed tax liability and unused credit can carryforward 5 years..

OREGON CREDITS

RIPARIAN LANDS (Code 735)

You can qualify for this credit if you voluntarily remove riparian land from farm crop production,. This includes farmers and landowners in ‘share-rent agreements’.

Must be Oregon Land that:

1. You voluntarily removed from crop production for conservation purposes, and
2. Lies between a river, stream, or other natural water course and land in farm production, and
3. Is not more than 35 feet wide.

If you are required to remove it from crop production by law you may not take the credit.

Exception: If land was removed from farm production under an agricultural water quality management plan administered by the Oregon State Department of Agriculture.

The credit is 75% of the foregone crop’s market value.

$A \times B \times C \times D = \text{Riparian land credit.}$

A = Total acreage of riparian land removed from farm production.

B = Crop yield per acre according to County Extension Office.

C = Market value of the foregone crop according to County Extension Office.

D = 75 percent.

If you put riparian land BACK IN PRODUCTION you cannot claim this credit for five tax years.

A farmer and a landowner engaged in a share-rent agreement may each claim a credit. The credit will be prorated according the share-rent agreement and will not be more than allowed to one taxpayer as if there was no share-agreement.

Credit cannot be more than your tax liability for the tax year. Carryover is 5 years. Unused is lost.

OREGON REFUNDS AND CHECKOFFS

CHECKOFF DONATIONS THAT TAXPAYER MAY APPLY REFUNDS TO:

See Form 40 lines 55 through 70 and see below for other possibilities.

Separate Lines

Oregon Nongame Wildlife
Oregon Lions Sight & Hearing Foundation
Shriners Hospital for Children-Portland, OR
Special Olympics Oregon
AIDS/HIV Education and Services.
Doernbecher Children's Hospital Found.
Oregon Humane Society
The Salvation Army
Oregon Veterans' Home
Planned Parenthood
The Nature Conservancy (Code 8)
Susan G. Komen for the Cure

Other Charity

Habitat for Humanity (Code 1)
Oregon Head Start (Code 2)
American Diabetes Association (Code 3)
Oregon Coast Aquarium (Code 4)
SMART (Code 5)
SOLV (Code 6)
AIDS/HIV Research, Education, and Services
Stop Domestic and Sexual Violence
Oregon Historical Society
Child abuse prevention
Alzheimer's Disease Research
American Red Cross
Albertina Kerr Centers
Oregon Food Bank
Oregon Military Financial Emergency assistance

MISCELLANEOUS PROVISIONS

TAX YEAR FOR PARTNERSHIPS MUST BE THE SAME AS FEDERAL

ACCOUNTING YEAR FOR PARTNERSHIPS MUST BE SAME AS FEDERAL

OREGON NO LONGER HAS A MINIMUM TAX LAW

OREGON NO LONGER HAS HANDICAPPED ACCESS SUBTRACTION

OREGON PROPERTY TAX AND RENT REFUND PROGRAM (HAARP) IS NO LONGER AVAILABLE.

SPECIAL ITEMS OF INTEREST

ALIMONY FOR NON RESIDENTS

Oregon allows alimony deductions to non residents
Alimony must be paid.

Non residents figure allowable Oregon deduction by computing a special Oregon percentage on a separate sheet of paper. (What, no worksheet??)

- Divide Oregon source income as a NON resident by total income while a NON resident
- Multiply this percentage by the alimony paid while a NON resident
- Add the amount computed while a NON resident and the amount paid while a RESIDENT (if any). This amount is the amount to deduct in the Oregon column.

Non-Residents who receive alimony do not enter in Oregon column.

TRI COUNTY METROPOLITAN TRANSPORTATION DISTRICT
SELF EMPLOYMENT TAX
AND LANE TRANSIT SELF EMPLOYMENT TAX

<http://www.oregon.gov/DOR/BUS/IC-500-406.shtml>

Tax applied to **self -employment** earnings of the taxpayers doing business or providing services in the Tri Met District - OR - Lane Transit District (If over \$400. after Health Insurance deduction.)

Helps fund mass transportation in the district.

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
For Tri Met	.006518	.006618	.006718	.006818	.006918
Lane Transit	.0062	.0064	.0065	.0066	.006700

Collected by Oregon Dept. of Revenue: 1-800-356-4222

For common questions go to: http://www.oregon.gov/DOR/BUS/faq-transit_sep.shtml

Partnerships are **not** subject to tax, the partners **are**. Partnership may elect to file and pay the tax for all the individual partners.

Must attach a schedule showing each partner's name, social security number, share of partnership income and individual exclusions.

S corporation distributions are not subject to this tax.

Also subject:

Anyone with activities in district whose earnings are not subject to Oregon withholding

Anyone living outside the district who does business or provides services in the district and whose earnings are **not** subject to Oregon withholding.

Real estate people generally considered self employed. Commissions on sales are subject to the tax.

Insurance agents are exempt from this tax because of Oregon law limitations (ORS 731.840)

Ministers - **Employee** compensation is not subject to this tax.

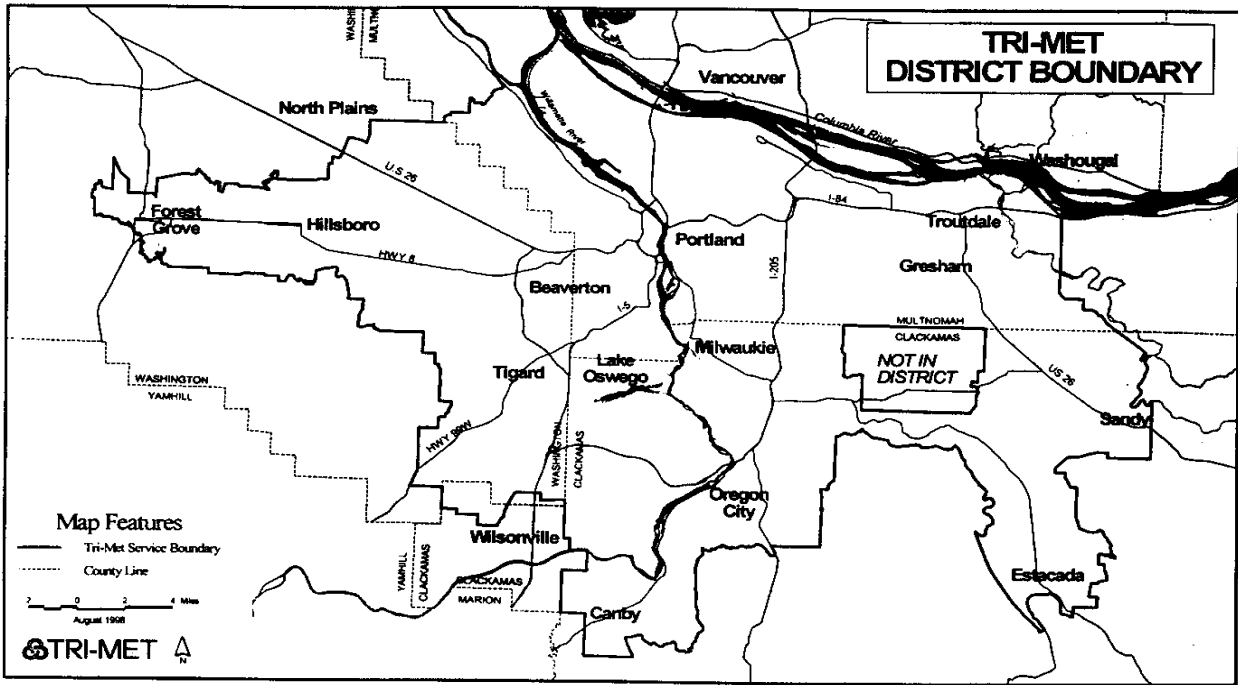
Compensation received for performing religious services as an independent contractor IS subject to the tax. (honorariums, wedding, funerals etc.)

Each taxpayer having s.e. earnings must file separate returns - no joint returns

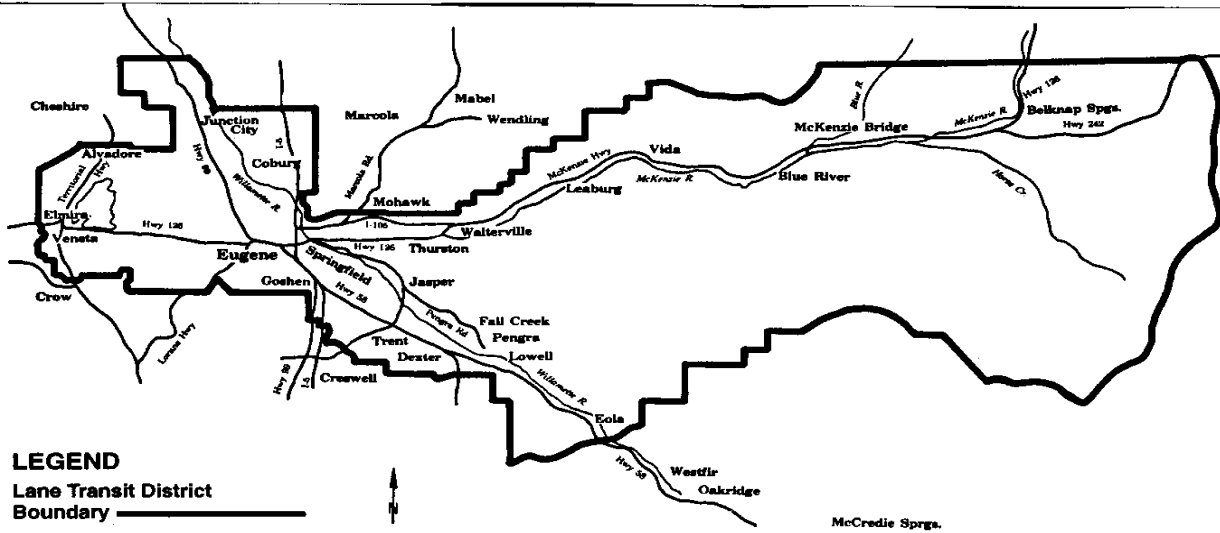
Can not file and pay with other state taxes

Can not apply refunds from other state tax to this tax.

Extensions on Oregon income tax return also covers tri-met /LTD tax.



150-555-001 (Rev.9-98)



150-560-001 (Rev. 9-98)

OREGON ELDERLY RENTAL ASSISTANCE PROGRAM (ERA)

FOR LOW INCOME RENTERS AGE 58 OR OLDER ON DECEMBER 31, 2009

HOUSEHOLD INCOME LESS THAN \$10,000

MUST FILE FORM 90R TO RECEIVE REFUND - EVEN IF NO TAX RETURN REQUIRED.

MUST MEET ALL OF FOLLOWING REQUIREMENTS:

- ▶ Taxpayer or spouse/RDP must be age 58 or older on Dec. 31
- ▶ Total HH income must be less than \$10,000
- ▶ Paid more than 20 percent of HH income for rent, fuel, utilities
- ▶ If both under 65, value of HH assets must not exceed \$25,000
- ▶ Rented an OREGON residence during the year
- ▶ Residence was subject to property tax
- ▶ Taxpayer lived in Oregon on 12-31
- ▶ Did not own residence on 12-31.

Don't have to be RENTING on 12-31, but must not OWN on 12-31

FRAUDULENT CLAIM - CLASS C FELONY - FINE UP TO \$100,000, JAIL, OR BOTH

HOUSEHOLD INCOME

Unmarried:

Don't include income of others related or unrelated living in the home.(i.e. not income of children, parents, or roommates who live with taxpayer.)

Married:

Include income of spouse/RDP unless living apart permanently on 12-31
Don't include income of others as in unmarried above.

SOURCE INCOME FOR HOUSEHOLD INCOME

Separate income from sources into source categories of business, farm, rental or royalties or dispositions of tangible or intangible property.

Losses from combined source in each category limited to \$1,000.

ELDERLY RENTAL ASSISTANCE PROGRAM (ERA)

DEPRECIATION

Adjust depreciation for Oregon per depreciation schedule adjustments.

If depreciated property after 1980 and before 1985 as a reimbursed employee business expense, must re-figure depreciation for Oregon.

If depreciation for Oregon is greater than depreciation on federal return, add difference to employee business expenses.

If depreciation is more than federal, subtract difference.

If combined total of depreciation, depletion and amortization deductions exceeds \$5,000, excess must be added back into household income.

Must also increase your household income by Oregon income tax modification for depletion in excess of basis.

FUEL AND UTILITIES

Amounts paid for lights, water, garbage, sewer, and heating during the tax year. **Not telephone or cable t.v.**

HOUSEHOLD ASSETS

Fair market value of the assets of both spouses/RDP who live in same household such as:

Real property

Tangible personal property **used in trade or business** - taxpayer is owner.

Intangible personal property

money, stock, notes or contracts receivable, bank accounts

Does not include value of retirement plans.

LATE FILING AND AMENDMENTS

ERA claims may be filed within three years of due date of return.

Due date July 1

Amendments - within three years of original due date of claim.

ELDERLY RENTAL ASSISTANCE PROGRAM (ERA)

QUALIFIED RENT- OREGON rent paid during the year

Rent paid to related party qualifies if bona fide landlord-tenant relationship

Manufactured Home owners who rent land may claim refund only on rent paid on land

Roommates:

May only use rent and utilities actually paid by THAT roommate

Based on household income and assets of THAT roommate

Names of other renters in the household must be listed

Nursing home residents:

May file ERA claim

Generally 20% of payment is considered rent and 3% fuel/utilities

Higher percentages can be used if claimant can show they are higher

One spouse/RDP in nursing home - other spouse/RDP in home owned:

Spouse/RDP in nursing home files for refund based on nursing home rent and showing only household income of spouse/RDP in nursing home.

One spouse/RDP in nursing home and other spouse/RDP rented - each may file separate claims using own rent and HH income.

Single and maintain home while in nursing home, may file claim on nursing home payments

Clergy:

Members of clergy living in housing provided by the church

may be eligible for refund if meet **both** of the following:

- ▶ Pay rent for use of the house
- ▶ Property is subject to Oregon property tax

Housing allowance must be included in HH income even though not included in taxable income.

Apartment managers:

May claim only on rent actually PAID. May NOT claim on value of rent provided by employer.

Room and Board:

Generally 60% of payments for rent and 10% fuel and utilities.

Retirement (rest) home or center:

Generally 60% rent and 10% fuel and utilities

Group homes if paying full property tax:

Generally 60% of room and board as rent and 10% fuel/utilities

Low income housing: Claim refund only on rent actually paid

Deceased persons Can not file on behalf of deceased. If claim filed before death but before refund issued, estate is entitled to the refund.

OREGON LICENSING LAW

STATE OF OREGON BOARD OF TAX PRACTITIONERS

ORS 673.605 TO 673.740

<http://egov.oregon.gov/OTPB/Links.shtml>

Then goto: Legal Resources then select 'Oregon Administrative Rules, etc., etc.'

TAX CONSULTANT

Person licensed to prepare or advise or assist in preparation of personal income tax returns for another for valuable consideration. (Does not apply to partnership or corporation returns and does not apply to preparation without charge for friends.

TAX PREPARER : Person licensed as a tax preparer.

TAX SEASON : January 15 to April 15

CLIENT: Person for whom personal income tax returns are prepared for valuable consideration.

CONFIDENTIAL INFORMATION

Information furnished to licensee for or in connection with preparation of client's tax returns.

SHALL NOT BE DISCLOSED EXCEPT:

- ◆ With permission of client
- ◆ After being subpoenaed by court of competent jurisdiction
- ◆ In response to inquiry by Board or its investigators.

ACCOUNTABILITY

Licensed tax consultant shall only allow persons to practice in his/her name who are licensed as:

- ◆ Tax Consultant
- ◆ Tax Preparers
- ◆ Enrolled Agents
- ◆ Certified Public Accountants
- ◆ Public Accountants

Who are under the supervision of the Licensed Tax Consultant

OREGON LICENSING LAW

LICENSING LAW: Does not apply to:

- ◆ Employee preparing for employer business only
- ◆ Attorney
- ◆ Fiduciary acting in capacity as such
- ◆ CPA or PA
- ◆ Employee of local, federal, or state in performance of duties as such.

Requirements:

- ◆ Must be not less than 18 years old
- ◆ Must have high school diploma/passed equivalency exam
- ◆ Successfully complete 80 hour basic course **approved by the Board**
- ◆ Preparer's must pass the preparer's **exam**
- ◆ Consultant's must have **cumulative** total of 780 hours during 2 of last 5 tax seasons **and** pass **consultant's exam**

Other State Licensee or Enrolled Agent:

- ◆ Must furnish evidence of license requirements equivalent to Oregon requirements.
- ◆ Must pass exam

CONTINGENT FEES

No arrangement whereby no fee will be charged unless specific findings or result or fee otherwise based on findings or results.

OREGON LICENSING LAW

MANAGEMENT AND SUPERVISION

Each principal and branch office must be under management and supervision of a **tax consultant**

Supervision:

Direct and immediate control of tax preparer by consultant with set procedures including:

- Examination and review of all tax returns for **math**
- Examination and review of all tax returns for **theory**
- Notice to preparer of adjustments
- Maintain current Federal **and state** reference material
- Provide access to consultant
- Exercise control by consultant of preparation practices.

Violation: Consultant may be disciplined regardless of preparer discipline.

RESIDENT CONSULTANT

A Licensed Tax Consultant (LTC) shall be in residence at each principal **AND** branch office.

Residence - carries out duties in principal or branch office during normal working days.

Board may waive this requirement if proof furnished that management and supervision will be accomplished.

RECORD KEEPING

Tax Consultant employed by another tax consultant - records maintained by employing consultant.

Designated consultant ceasing to be connected with firm - records are maintained by the firm.

OREGON LICENSING LAW

INTEGRITY AND OBJECTIVITY - Licensee

Shall not knowingly misrepresent facts in preparation/ advising

May resolve doubt in favor of client if reasonable support of the position.

Who finds client has made error shall promptly advise client of error or omission.

Shall not arrange for any refund check to be mailed to him at ANY time for ANY purpose.

Shall not, in connection with procurement of clients, pay more than a total of \$25 per year in cash or gifts to any one person.

This rule does not prohibit payments for commercial advertising or the offering of discounts in accordance with OAR 800-100-0590(1).

Shall not accept a commission or fee, directly or indirectly, for recommending the products or services of others to a client.

Excludes:

payments for purchase of a practice

retirement payments,

payments to heirs or estates of others

or commission earned for the personal services of the licensee

such as Real Estate, Insurance, Investments and securities sales

IF licensee holds license required by law to perform the services

and discloses in writing that she/he will be compensated for sale.

and the client acknowledges receipt of disclosure **in writing.**

Fee must be separately stated for tax preparation from any other service provided.

Licensee shall, upon **written** request from client:

Make available or return within reasonable time to client, personal papers or source materials furnished to licensee by client and

Make available within a reasonable time to the client, copies of depreciation schedules that support the return.

Licensee is **not** required to furnish information more than once

OREGON LICENSING LAW

INTEGRITY AND OBJECTIVITY - Licensee

Licensee shall not engage in fraudulent, deceptive, or dishonest conduct relating to professional practice.

Licensee shall not violate any position of trust including trusts outside professional practice.

DESIGNATED CONSULTANT

Corporation, firm, partnership must designate a tax Consultant as the responsible individual.

License number of designated consultant must be on all tax returns prepared by the business

Designated consultant shall be responsible for all tax preparation activities of the business.

Designated consultant will cease to be responsible upon receipt by the Board of a written notice from consultant or firm.

Designated consultant for only one firm except by permission of Board.

Business shall notify Board within 10 days of any change in status of the designated consultant.

IDENTIFICATION

All returns must have (on all copies)

Firm name

Permanent address

Plus all other data required by IRS and State Board of Tax Examiners (Social security number, License number, Des.Consultant number)

At least one copy for client

Where preparer's signature appears there shall be included:

State license number of designated consultant

State license number of preparer.

Consultant shall provide year around phone number and address where clients and Board may contact him/her

OREGON LICENSING LAW

COMMUNICATIONS

Licensee shall, when requested, respond in writing to communications from the Board within **twenty-one** days of the mailing of such communications.

Penalty Notices: 20 days to make written application for hearing

EXPERIENCE AND COMPETENCE

Licensee shall not knowingly undertake to prepare tax returns that are outside the field of his/her experience and competence unless he/she obtains assistance of someone who is competent in the tax subject .

ADVERTISING AND SOLICITATION

Not misleading to public

No offer of tangible inducement in procurement of clients

No discount unless:

Based on conspicuously posted fee schedule and posted schedule is the usual and customary one.

Schedule is made available to general public.

No display or use of "LTC" unless duly authorized

Only a Licensed tax consultant may use LTC in connection with name.

A licensed **tax preparer** may use "L.T.P." or "Licensed Tax Preparer"

Advertising must include Tax **consultant's** name or business name through which consultant renders services, and must be approved by the **designated** consultant. Designated consultant **and** the business held responsible for compliance.

No direct or indirect downgrade or casting doubt upon the ability, competence or character of another Tax Consultant, Tax Preparer, Public Accountant, CPA or other person authorized by law to prepare tax returns.

OREGON LICENSING LAW

EDUCATION

80 HOURS basic course before sitting for Preparer Exam

Sponsors of the course shall apply for certification to the Board

Board furnishes outline for course which shall be followed

Shall include mid term and final exam and work problems

Instructors shall certify those successfully completing the basic course. If missed hours, instructor shall provide make up work

Forms: Federal and Oregon income tax forms shall be used

Correspondence:

All topics in Board approved outline shall be included up to 80 hours.

Evidence of completion furnished on Board approved forms

ASSUMED BUSINESS NAME

Must be registered with Corporation Commission and must be only under the name furnished to the Board.

Name of tax **preparer** may not be used in any manner, including initials or acronyms of preparer's name -as part of firm name.

BRANCH OFFICE

Address of each shall be reported with license renewal.

Changes of address, phone numbers or resident consultant must be reported within 10 days.

OREGON LICENSING LAW

CONTINUING EDUCATION

Except for renewal of initial license - 30 hours since last renewal date
No carry-overs. Credits earned in renewal month may be held over to next year.
See OAR: 800-15-10-4

PROGRAM REQUIREMENTS FOR CONTINUING EDUCATION

GENERALLY ACCEPTABLE subjects:

Taxation
Accounting
Estate Planning
Others if can demonstrate direct relationship to preparation of client
tax returns.

NOT ACCEPTABLE subjects:

Memory improvement
Setting fee schedules
Buying or selling practice
Character development
Managing a business.

APPLICATION FOR LICENSE EXAM

Filed with Board on forms prescribed.
With exam fees: Preparers exam \$40/ Consultants Exam \$70
Signed
No later than one month prior to exam date
Except applicants failing to pass DECEMBER exam may file
application and fee with Board no later than 15 calendar days
prior to the following January exam date.

PASSED EXAM

Must apply for license within 60 days of exam date or retake exam

LICENSE RENEWALS

Permanent license numbers assigned
Preparers license expire each year on September 30
Consultant's licenses expire each year on May 31
Business Registrations expire each year on June 15
Combination Registrations expire each year on October 15

OREGON LICENSING LAW

LAPSE LICENSE

15 days after expiration

Restore within three years by payment of late fees PLUS all other back fees AND education certification.

FEES

Issuance or renewal of Consultants license	\$95
Issuance or renewal of Preparer's license	\$80
Issuance or renewal of Consultant Inactive Lic.	\$95
Issuance or renewal of tax preparer's inactive lic	\$80
Reactivation of tax consultant's inactive license	\$95
Reactivation of tax preparers inactive license	\$80
Restoration of lapsed license	\$35 + all unpaid renewals
Issuance or replacement of duplicate license	\$10
Issuance of a replacement or duplicate tax consultant certificate	\$15
Registration or registration renewal for a sole proprietorship, partnership, corporation or other legal entity	\$110
Issuance of renewal of combined tax consultant or tax preparer's license and registration for business entity Eligibility for combined determined by Board.	\$155
Annual registration of a branch office	\$20

OREGON LICENSING LAW

TAX CONSULTANT'S CERTIFICATE

May be displayed as long as licensee holds a current valid license as a tax consultant. If license becomes inactive or lapses, the holder shall no longer display the certificate.

DISPLAY OF LICENSES

Tax Consultants and Preparers shall display licenses in a conspicuous place **in their place of business.**

Go to the following internet address for more information:

http://arcweb.sos.state.or.us/rules/OARS_800/OAR_800/800_tofc.html