Department of Revenue: Personal Income Tax

Credits

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Biofuel consumer
Biomass production/collection
Business energy
Child and dependent care
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Credits
Crop donation
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Diesel engine repower or retrofit
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Rural health practitioners
TRICARE provider
University venture development fund contributions
Water transit vessel manufacturer
Working Family Child Care (WFC)

Page updated: March 02, 2010

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Credits

Adoption expenses

ORS 315.274

[Credit code 700]

Oregon's tax credit for qualified adoption expenses expired in 2005.

Carryforward. The credit cannot be more than your tax liability for Oregon. You can carry forward any unused credit for up to four years. Any credit not used within the carryforward period is lost.

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Credits

Biofuel consumer

ORS 315.465 and 315.469

[Credit code 744]

Oregon now has a tax credit available for consumers of qualifying biofuels.

What qualifies?

Biofuels are derived from biomass. They can be liquid, gaseous, or solid fuels.
Vehicle fuel blends can be either:

- Diesel that is at least 99 percent biodiesel (B99)*, or
- Gasoline that is at least 85 percent methanol or ethanol (E85).

** Vehicles that run on biodiesel fuels that are less than 99 percent biodiesel do not qualify for this credit.* Home heating fuels can be either:

- Liquid that is at least 20 percent biodiesel (B20), or
- Solid fuel that is 100 percent biomass (pellets).

Biomass 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.

Biomass does not include wood treated with creosote or inorganic chemical compounds.

Who can claim it?

If you use B99 or E85 biofuels in your alternative fuel vehicle, you may claim a credit of $0.50 per gallon of biofuel.

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 biofuel.

The vehicle must be owned or leased by you for more than 30 days to qualify.

If you use B20 or solid biofuel 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 biofuel must be your primary home space heating fuel.

How to claim the credit

Compute your allowable credits and enter the amount as an “Other credit” on your Oregon income tax return. Use numeric code 744 to identify the credits. You must keep records to support your fuel purchases for five years. Keep these records with a copy of your tax return. Do not send them to the department.

If you and your spouse/RDP file separate returns, split the credits in proportion to the amount each person paid.

Part-year residents and nonresidents. You must prorate your credits by your Oregon percentage.

Carryforward. Unused credits may not be carried forward. They cannot exceed your tax liability for the year. These credits are not refundable.

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Credits

Biomass production / collection

ORS 315.141, 315.144

[Credit code 743]

If you produce or collect biomass to be used in Oregon as biofuel, you may be eligible for a tax credit on your Oregon income tax return. Either the producer or the collector, but not both, may claim the credit.

Who qualifies?

If you are an agricultural producer or collector of biomass that is used in Oregon as biofuel or to produce biofuel, you can claim a credit up to the amount of your tax liability.

The credit is claimed in the tax year that you **transfer the biomass to a biofuel producer.**

Biomass 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.

Biomass does not include wood treated with creosote or inorganic chemical compounds.

How to compute your credit

Use the following table to compute your credit. Multiply your biomass production or collection by the following rates:

- Animal manure or renderings: $5 per wet ton.
- Grain crops: $0.90 per bushel.
- Grass, wheat, and straw biomass: $10 per green ton.
- Oil seed crops: $0.05 per pound.
- Used cooking oil or waste grease: $0.10 per gallon.
- Virgin oil or alcohol from Oregon-based feed stock: $0.10 per gallon.
- Wastewater biosolids: $10 per wet ton.
- Woody biomass collected from property in Oregon: $10 per green ton.
- Yard debris or food waste: $5 per wet ton.

How to claim the credit

The biofuel producer must provide you with a written receipt at the time of the transfer. The receipt must state the quantity and type of biomass being transferred. Use this information to compute your allowable credit. Enter the amount as an “Other credit” on your Oregon income tax return. Use numeric code 743 to identify the credit.

The receipt must also certify that the biomass is to be used to produce biofuel. You must keep these records for five years. Keep these records with a copy of your tax return. Do not send them to the department.

Carryforward. Any credit that exceeds your tax liability can be carried forward for four years. Any credit remaining after that is lost. The credit is not refundable.

Part-year residents and nonresidents. You must prorate your credit by your Oregon percentage.

Credit transfers. You may transfer your credit to another taxpayer for consideration. You and the transferee must jointly file a notice of tax credit transfer with the department. Go to our website to download *Transfer Notice for Certain Credits* or contact us. Both parties must complete and sign the notice.

Be sure to give copies of the receipts used to compute the credit to the transferee for their records.

Include the transfer notice with the tax return of the taxpayer claiming the credit.

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Credits

Business energy

ORS 315.354

[Credit code 703]

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

What projects qualify?

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

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 another site in Oregon.

How much is the credit?

The tax credit is 35 percent of the eligible project costs. You take the credit over five years: 10 percent in the first and second years and 5 percent 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.

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

A special credit is allowed to homebuilders for installing renewable energy systems and building high-performance homes. These credit amounts are up to $9,000 and $12,000, respectively.

Do not adjust your Oregon basis for the amount of any credits claimed.

How to apply for the credit

You must apply for the tax 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.

How to claim the credit

Apply for a final tax credit certificate when your project is finished. Department of Energy staff will review your actual expenses and, when approved, will send you the final certificate. Keep a copy of the final certification with your Oregon tax records.

Carryforward. Your credit cannot be more than your tax liability. You can carry forward any unused credit over the next eight years. Any credit unused within eight years is lost.

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Credits

Child and dependent care

ORS 316.078

[Form 40N only: Credit code 745]
[Carryforward credit code 704]

Who can claim the credit?

You're allowed an Oregon credit only if you qualify for the federal child and dependent care credit. You may still be able to claim the Oregon credit even if you can't use all your federal credit. In most cases, you can't claim the credit if you're married/RDP filing separately.

How much is the credit?

Use the following worksheet:

1. Enter the amount from federal Form 2441, line 6* 1. ________

2. Enter the decimal amount from the following table. 2. ______

If your federal taxable income from Form 1040, line 43; or Form 1040A, line 27 is:		Your decimal amount is:
Over—	But not over—	
—	$5,000	.30
$5,000	10,000	.15
10,000	15,000	.08
15,000	25,000	.06
25,000	35,000	.05
35,000	45,000	.04
45,000	—	.00

3. Multiply the amount on line 1 by the decimal amount on line 2. 3. ______

4. Multiply prior year child and dependent care expenses included in the computation of your federal credit 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. This is your credit. 5. ______

If you file Form 40N or 40P, you must complete line 6 below.

6. Multiply line 5 by your Oregon percentage. This is your credit. 6. ______

**Do not enter more than $3,000 for one qualifying dependent or $6,000 for two or more qualifying dependents.* (printed as **Do not enter more than $3,000 for one qualifying dependent or $6,000 for two or more qualifying dependents.*)

Carryforward. Your credit cannot be more than your tax liability for Oregon. You can carï»¿ry forï»¿ward any unused credit over the next five years. Any credit unused within five years is lost.

Example: Mr. and Mrs. Taylor are married filing a joint return. They have one three-year-old dependent daughter who is in day care while they work. The Taylors had federal taxable income of $44,100 and $3,900 of child care expenses in 2009. They do not have any prior-year child care expenses included in their 2009 federal expenses. Here's how the Taylors determine their child and dependent care credit:

1.	Enter the amount from federal Form 2441, line 6.	1.	$3,000
2.	Enter the decimal amount from the following table.	2.	.04
3.	Multiply the amount on line 1 by the decimal amount on line 2.	3.	$120
4.	Multiply prior year child and dependent care expenses included in the computation of your federal credit by the decimal amount that applies to your prior year federal taxable income. Enter the result.	4.	n/a
5.	Add the amounts on line 3 and 4. This is your credit.	5.	$120

Table for line 2:

If your federal taxable income from Form 1040, line 43; or Form 1040A, line 27 is:		Your decimal amount is:
Over—	But not over—	
—	$5,000	.30
$5,000	10,000	.15
10,000	15,000	.08
15,000	25,000	.06
25,000	35,000	.05
35,000	45,000	.04
45,000	—	.00

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Credits

Child Care Fund contribution

ORS 315.213

[Credit code 705]

Contributions to the Child Care Fund qualify for a credit on your Oregon income tax return. Your credit is equal to 75 percent of the dollar amount donated. Your donation will help address child care affordability, provider compensation, and quality assurance issues in Oregon. For details on the program, go to the Oregon Employment Department, Child Care Division, website at www.oregon.gov/EMPLOY/CCD or call them in Salem at 503-947-1400.

How to claim the credit

The Child Care Division will compute your allowable tax credit and give you a certificate. Keep this certificate with your permanent tax records.

Enter your credit on the “other credits” line on your tax return along with the credit’s numeric code. Your charitable contribution to the Child Care Fund can also be claimed as a deduction on your federal tax return.

If you itemize your deductions for Oregon, you cannot claim both the charitable contribution and the Oregon tax credit. You must add back the amount of the tax credit as an “other addition” on your Oregon personal or corporate tax return. You must report the other addition before claiming the Oregon tax credit.

Part-year residents and nonresidents. You can claim the credit allowed a full-year resident.

Carryforward. Your credit may not be more than your tax liability for Oregon. You can carry forward any unused credit over the next four years, but any credit unused within four years is lost.

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Credits

For certain credits, you must qualify, apply, and be certified before you can claim them on your return. Other agencies, not the Department of Revenue, are responsible for certifying these credits. Contact information is included with the explanation for each of these credits below.

Full-year residents. All credits you qualify for are allowed in full on Form 40. If you're using Form 40S, you can claim only certain credits. See the Full-Year Resident booklet for the credits you can claim on Form 40S.

Part-year residents and nonresidents. You must prorate certain Oregon credits by multiplying your total credit by your Oregon percentage from Form 40N or 40P to figure the amount you can claim on your Oregon return. You must prorate the following credits:

- Adoption expenses carryforward
- Biofuel consumer
- Biomass production/collection
- Child and dependent care
- Crop donation
- Diesel engine replacement
- Diesel engine repower/retrofit
- Earned income
- Elderly or the disabled
- Employer-provided dependent care assistance*
- Employer scholarship
- Exemption
- Farmworker housing
- First Break Program carryforward
- Fish screening devices
- Long-term care insurance premiums
- On-farm processing facilities
- Oregon Cultural Trust
- Oregon Production Investment Fund
- Oregon Veterans' Home
- Reservation enterprise zone
- Residential energy
- Riparian land
- Rural emergency medical technicians
- Rural medical practitioners
- TRICARE provider credit
- Working family child care

** Prorated for part-year residents only.*

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Credits

Crop donation

ORS 315.156

[Credit code 708]

Oregon allows a tax credit for crops donated to a gleaning cooperative, food bank, or other charitable organization that distributes food without charge. The organization receiving the donation must have a principal or ongoing purpose of distribution of food to children, homeless, unemployed, elderly, or low-income individuals. The organization must be located in Oregon and exempt from federal income taxes under the Internal Revenue Code.

To qualify for this credit, you must be in the business of growing a crop to be sold for cash. The crop must be fit for human consumption. The food must meet all quality and labeling standards imposed by federal, state, or local laws, even though the food may not be readily marketable due to appearance, age, freshness, grade, size, surplus, or other condition. Eligible crops include, but are not limited to, bedding plants that produce food, orchard stock that produces food, and livestock that may be processed into food for human consumption.

How much is the credit?

The credit is 10 percent of the value of the quantity of the crop donated, computed at the wholesale market price at the time of donation. The wholesale market price is determined by either:

- The amount paid to the grower by the last cash buyer of the particular crop, or
- In the event there is no previous cash buyer, a market price is based on the market price of the nearest regional wholesale buyer or regional u-pick market price.

Example: 5,000 pounds of potatoes @ $.10 lb.
5,000 × .10 = $500 (market value)
10% (.10) × $500 = $50 (credit allowed)

How to claim the credit

Get and keep a completed copy of the *Crop Donation Tax Credit* form with your tax records to verify your donation. The organization you donate the crop to has this form, or download it from our website. Also, if there was a previous cash buyer, you must keep a copy of an invoice or other statement identifying the price received for crops of comparable grade or quality.

Individuals, partners, S corporation shareholders, or corporations can take the credit. S corporation shareholders or partners can claim the credit based on their pro rata share of the cost.

Part-year residents and nonresidents. You are allowed the credit subject to the same limitations as a resident. Prorate the credit by multiplying your total credit by your Oregon percentage to figure the amount you can claim on your Oregon return.

Carryforward. Your credit cannot be more than your tax liability for Oregon. You can carry forward any unused credit over the next three years, but any credit unused within three years is lost.

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Credits

Diesel engine replacement
Temporary provisions relating to low emission truck engines

following ORS 315.356

[Credit code 734]

The credit is available only if you currently own a truck(s) that meets the criteria below. Also, you must replace the engine in the truck(s) you currently own with a diesel engine that meets the criteria. This credit will expire December 31, 2011.

Your truck must:

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

Your replacement diesel engine must:

- Be purchased in Oregon, and
- Be model year 2007 or later, and
- Be certified by the Environmental Protection Agency to emit particulate matter at the rate of 0.01 grams per brake horsepower-hour or less.

How much is the credit?

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

Number of trucks owned	Credit amount per engine
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.

How to apply for the credit

You must apply to the Department of Environmental Quality (DEQ) for this credit. DEQ requires a nonrefundable application-processing fee of $50 for each qualifying engine claimed. For an application form, contact DEQ in Portland at 503-229-6878, toll-free from an Oregon prefix at 1-800-452-4011, or go to www.deq.state.or.us/aq/diesel/taxcredit.htm.

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

Carryforward. 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.

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Credits

Diesel engine repower or retrofit
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.

How much is the credit?

The credit is equal to:

- 25 percent of certified costs of a qualifying diesel engine repower, or
- 50 percent of certified costs of a qualifying diesel engine retrofit.

What qualifies as a repower?

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 engine must have a minimum useful life of seven years.

What qualifies as a retrofit?

A qualifying diesel engine retrofit means 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 percent of the engine's use for the three years following the repowering 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.

How 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.

Transfer of credit. This credit can be transferred 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 to download Form 150-101-179.

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

Carryforward. 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.

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Credits

Earned income

ORS 315.266

You're allowed an Oregon earned income credit (EIC) only if you qualify for the earned income credit on your federal return. Your Oregon EIC is refundable; if the credit is more than your tax liability, the difference will be refunded to you.

Full year residents. Your Oregon EIC is 6 percent of your federal EIC.

Part-year residents and nonresidents. Your Oregon EIC is 6 percent of your federal EIC, multiplied by your Oregon percentage.

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Credits

Electronic commerce zone investment

ORS 315.507

[Credit code 710]

This credit is available to individuals and businesses that engage in electronic commerce in an Oregon enterprise zone or city designated for electronic commerce. Go to www.oregon4biz.com/enterthezones/ecomzone.htm for complete information.

What costs qualify?

The credit is for costs of capital assets related to electronic commerce sales, customer service, order fulfillment, or broadband infrastructure.

How to apply for the tax credit

You may download the authorization application and exemption claim forms from our website at www.oregon.gov/DOR/PTD/enterforms.shtml.

How much is the credit?

The credit is equal to 25 percent of the investments made during the tax year. The maximum credit allowed in any tax year is $2 million.

Carryforward. Your credit cannot be more than your tax liability for Oregon. You may carry forward any unused credit over the next five years. Any credit unused within five years is lost.

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Credits

Employer-provided dependent care assistance

[Credit code 707]

Employers may claim a credit for providing dependent care assistance to their employees. Two different credits—the information and referral services credit and the assistance credit—are currently available. A third credit—the facilities credit—has expired.

Information and referral services—ORS 315.204(4)

This credit is for employers who provide dependent care information and referral services. The services must be used to help their employees find dependent care.
The credit is 50 percent of the amount paid by the employer to provide these services.

Assistance—ORS 315.204(1)

This credit is for employers who pay for the care of their employees' dependents.
The person receiving the dependent care must be an employee's:

- Dependent, under the age of 13, or
- Dependent, physically or mentally incapable of self-care, or
- Spouse, physically or mentally incapable of self-care.

The credit is the **smaller** of:

- 50 percent of the qualifying expenses paid by the employer, or
- $2,500 per employee who receives the assistance.

The employer must have a written dependent care assistance plan. Taxpayers must apply to the Child Care Division of the Employment Department and receive certification. Only amounts paid for dependent care provided in Oregon are eligible for the credit. The dependent care provider cannot be the employee's spouse, a dependent, or a child (under age 19).

The business deductions claimed on the employer's tax return must be reduced by the amount of the credit claimed.

Employees. Did your employer make dependent care payments for you? If so, you cannot use the amount of your employer's payments to claim a child and dependent care credit on your income tax return.

Did the dependent care payments exceed the income of either you or your spouse? If so, you must add the excess payment to your gross income.

Employers. For general information on how to select a dependent care option, contact the Child Care Division in Salem at 503-947-1400 or toll-free from an Oregon prefix at 1-800-556-6618.

Facilities—ORS 315.208

This credit for employers who set up a dependent care facility to provide job-site dependent care for their employees **expired December 31, 2001.**

This credit was available for dependent care facilities placed into operation between January 1, 1988, and December 31, 2001. The credit, as certified by the Oregon Employment Department, will be claimed equally over a period of 10 tax years beginning with the tax year the facility is first placed into operation.

If you do not meet the credit qualifications for a tax year, the current year's credit is lost and may not be carried forward to any other tax year. If you have questions about your credit, contact the Oregon Employment Department toll-free from an Oregon prefix at 1-800-556-6616.

Depreciation and basis. Compute your depreciation each year for the facility. Reduce your depreciation deduction by the total available credit to figure the depreciation you can claim. Continue to reduce your depreciation deductions until the total available credit has been used up. Do not reduce your basis in the facility by the amount of the credit.

How to claim any of the three dependent care assistance credits

To claim either the information and referral services credit or the assistance credit, you must complete the Dependent Care Credits for Employers form. To download the form, go to our website or call us to order. Complete the part of the form that applies to the credit you're claiming. Keep the completed form with your income tax records.

Partnerships or S corporations. Partners or shareholders can claim a portion of the partnership or S corporation credit based on their percentages of ownership interest.

Part-year residents. Information and referral services credit and assistance credit. You must multiply your allowable Oregon credit by your Oregon percentage on Form 40P.

Nonresidents. Information and referral services credit and assistance credit. You may claim the credit allowed a full-year resident.

Part-year residents and nonresidents. Facilities credit. You may claim the credit allowed a full-year resident.

Carryforward. None of your dependent care assistance credits may be more than your tax liability for Oregon. You may carry forward any unused credit for five years. If you do not use the credit within five years, it is lost.

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Credits

Employer scholarship

ORS 315.237

[Credit code 711]

A tax credit is allowed to Oregon employers who have scholarship programs for their employees and their employees' dependents. To receive the credit, you must apply for program certification from the Oregon Student Assistance Commission. Keep the certificate with your tax records. For an application and more information, contact the commission in Eugene at 541-687-7387 or toll-free from an Oregon prefix at 1-800-452-8807, ext. 7387, or go to their website at www.oregon.gov/OSAC.

How much is the credit?

The credit is equal to 50 percent of the amount of qualified scholarship funds actually paid to or on behalf of qualified employees and their dependents during the tax year. The maximum credit allowed in any tax year is $50,000.

Part-year residents and nonresidents. Multiply your credit by your Oregon percentage.

Carryforward. Your credit cannot be more than your tax liability for Oregon. You can carry forward any unused credit over the next five years. Any credit unused within five years is lost.

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Department of Revenue: Personal Income Tax

Credits

Exemption

ORS 316.085

The maximum credit for 2009 is $176 for each qualifying exemption. The exemption amount is indexed for inflation. Your exemption credit may be reduced if your federal adjusted gross income is more than the threshold for your filing status.

Part-year residents and nonresidents. Multiply your exemption credit by your Oregon percentage.

Exemption credit. Your exemption credit may be reduced if your federal adjusted gross income (Form 40, line 8) is more than the threshold for your filing status.

Exemption credit worksheet: Not all filers need to use this worksheet. Review the charts below to see if you must use the following worksheet.

1.	Enter the amount from Form 40, line 8.	1.	______
2.	Enter the amount shown below for your filing status. Single—$166,750 Married/RDP filing jointly or qualifying widow(er)—$250,150 Married/RDP filing separately—$125,050 Head of household—$208,450	2.	______
3.	Line 1 minus line 2.	3.	______
4.	Divide line 3 by $2,500 ($1,250 if married/RDP filing separately). Round the result to the nearest whole number (for example, increase 0.0004 to 1).	4.	______
5.	Multiply line 4 by 2% (.02) and enter the result as a decimal.	5.	______
6.	Multiply the total number of exemptions claimed on line 6e of your Oregon return by $176 and enter the result here.	6.	______
7.	Multiply the decimal on line 5 by line 6.	7.	______
8.	**Exemption credit.** Line 6 minus line 7. Enter the result here and on Form 40, line 33.	8.	______

You and your spouse/RDP

You are allowed one exemption credit for yourself and one for your spouse/RDP if you are filing a joint return. If someone else can claim you as a dependent, you cannot claim an exemption for yourself. If someone else can claim your spouse/RDP as a dependent, you cannot claim their exemption. This is true even if the other person does not claim you (or your spouse/RDP) as a dependent.

If you are married or in an RDP and want to claim the personal exemption for your spouse/RDP but do not want to file a joint return, your spouse/RDP must qualify as your dependent. Include your spouse/RDP on the "All dependents" line, line 6c; not on the spouse/RDP line, line 6b.

Severely disabled—ORS 316.752

Did you have a severe disability at the end of the tax year? If so, you can claim an additional exemption credit. You may qualify for the severely disabled exemption even if someone else can claim you as a dependent. You're considered to have a severe disability if **any** of the following apply:

- You permanently lost the use of one or both feet, or
- You permanently lost the use of both hands, or
- You're permanently blind, or
- You have a permanent condition or an impairment of indefinite duration that limits your ability to:

    - Earn a living, or
    - Maintain a household, or
    - Transport yourself.

Deafness or hearing impairment alone do not qualify as a severe disability for purposes of this program. This is true regardless of any special equipment you may use in your home or workplace.

Special equipment does not include items like glasses, ordinary crutches, hearing aids, or contact lenses.
You do not qualify for this exemption if:

- You have a temporary disability from an injury or illness and are expected to recover, or
- Your condition keeps you from doing your former work but not from doing other kinds of work without special equipment.

If you have a permanent severe disability, your physician must write a letter describing it. Keep the letter with your permanent health records.

If you qualify, check the "severely disabled" exemption box on your return. If your spouse qualifies, he or she may also claim this exemption. You and your spouse may also qualify for the credit for the loss of use of limbs.

All dependents

You are allowed one exemption credit for:

- Each child you qualify to claim as a dependent, and
- Each of your other dependents you qualify to claim on your federal return.

On your Oregon return, identify all dependents by first names.

Example: Susan gives up her exemption for her son on her federal income tax return so he can claim the federal Hope credit on his tax return. Because Susan did not claim her son as a dependent on her federal income tax return, she may not claim him as a dependent on her Oregon income tax return.

In most cases, you must claim the same dependents for Oregon as you claimed on your federal return.

Child(ren) with a disability—ORS 316.099

You may be entitled to an additional exemption credit for your dependent child who has a qualifying disability. To qualify, **all** of the following must be true. Your child:

- Qualified as your dependent for 2009, and
- Was eligible for "early intervention services" or received special education as defined by the Department of Education, and
- Was considered to have a disability as of December 31, 2009, under the federal Individuals with Disabilities Education Act. For purposes of special education:
- Learning disabilities and communications disorders do not qualify.
- Eligible disabilities and their Oregon Department of Education codes numbers include:
    - Autism (82).
    - Deaf-blind (43).
    - Hearing impairment (20).
    - Mental retardation (10).
    - Multiple disabilities.*
    - Orthopedic impairment (70).
    - Other health impairment (80).
    - Serious emotional disturbance (60).
    - Traumatic brain injury (74).
    - Visual impairment (40).

** Multiple disabilities are two or more otherwise qualifying disabilities.*
Get a current statement of eligibility and the cover sheet that confirms one of the disabilities listed above from one of the following:

- The child's Individualized Education Program (IEP), or
- The child's Individualized Family Service Plan (IFSP).

Keep the statement and cover sheet with your permanent 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.

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Credits

Farmworker housing

ORS 315.164

[Credit code 712]

Who can claim the credit?

You may be eligible for a credit if you build or restore farmworker housing for seasonal or year-round farmworkers and their immediate families in Oregon. The housing must be occupied at some time during the year by a farmworker to qualify for the credit. Housing cannot be used for any purpose except housing for farmworkers. Your family members are not considered farmworkers under this credit. The credit is available for projects that physically began on or after January 1, 1990. The project must be completed before you can claim the credit.

S corporations and partnerships. The individual shareholders must claim the tax credit based on their percentage of S corporation ownership interest. In partnership, the individual partners must claim the tax credit based on their distributive share of partnership income.

Part-year residents and nonresidents. The credit is available to nonresidents and part-year residents who build or restore farmworker housing located in Oregon. You must multiply the allowable credit by the Oregon percentage on Form 40N or 40P.

How much is the credit?

The credit is 50 percent of the costs paid or incurred to complete the housing project during the tax year. You must take the credit equally over 5 to 10 consecutive years. Costs of rehabilitation include acquisition and capital expenditures. Eligible costs include acquisition, finance, construction, excavation, and permit costs. Costs to purchase land are not included.

Depreciation and basis. Depreciation and amortization expenses associated with the farmworker housing project are not decreased by the amount of the tax credit. Your adjusted basis in the housing project is not decreased by the tax credit.

Example: This credit is claimed over 10 years.

Project costs $1,500,000 * .50 (50%)	$750,000	
Credit allowable each period	$750,000 / 10	75,000
1st year allowable credit	75,000	
2009 tax liability	50,000	
2009 credit allowed		50,000
1st year credit carried forward	25,000	
2nd year allowable credit	75,000	
2010 tax liability	45,000	
2010 credit allowed		45,000
2nd year credit carried forward	55,000	
3rd year allowable credit	75,000	
2011 tax liability	150,000	
2011 credit allowed		130,000

How to claim the credit

Oregon Housing and Community Services (OHCS) must inspect the farmworker housing project **prior to** occupancy. For an application, call OHCS in Salem at 503-986-2048 or visit their website at www.oregon.gov/OHCS.

If your project qualifies, you'll get a tax credit approval letter. Keep the letter with your tax records. You must also complete a certification form for the Department of Revenue. To download the Annual Certification for Farmworker Housing Credit form, go to our website or call us to order it.

If you build the housing for resale to a farmworker housing project operator, no inspection or approval is necessary. You still may claim the credit.

Carryforward. The credit cannot be more than your tax liability. You can carry forward any unused credits over the next nine years. You first must use any credit carried forward before using the allowable current year credit. Any credit unused within nine years is lost.

Revised 12/31/2009

Department of Revenue: Personal Income Tax

Credits

First Break Program

ORS 315.259

[Credit code 713]

A tax credit was available for employers who hired at-risk youths ages 14–23. The last certificates of eligibility were issued to qualifying youths December 31, 2004.

Carryforward. The credit cannot be more than your tax liability for Oregon. You can carry forward any unused credit over the next five years. Any credit unused within five years is lost.

Revised 12/31/2009

Credits

Fish screening devices

ORS 315.138

[Credit code 714]

A tax credit is available to those who pay for fish screening devices required by the Oregon Department of Fish and Wildlife (ODFW). ODFW will determine where fish screening devices should be installed. If it is decided a device is needed, ODFW will ask you to install one.

You must agree to install the device within 180 days. After it's installed, ODFW will reimburse you up to $10,000 or two-thirds of the cost of the device, whichever is less. The remaining cost may be used to claim the credit. Money provided by the state does not qualify for the credit.

If you can't install the device, you can ask ODFW to install it. If ODFW installs it, they will assess a charge not more than $5,000, or one-third the construction and installation cost, whichever is less.

If you can't install the device and do not ask ODFW to install it, they will install it and charge you the full cost of the construction and installation. The cost will not be more than the average cost for similar devices.

Who can claim the credit?

The credit is available to individuals, partners, sole proprietorships, and S corporation shareholders. Shareholders and partners can claim the credit based on their pro rata share of the certified costs.

How much is the credit?

All amounts paid by you but not reimbursed can be used when computing the allowable credit.

The credit is equal to the smaller of (a) 50 percent of the net costs of installing the device, or (b) $5,000. You can still claim any depreciation or amortization otherwise allowed. Do not reduce your basis in the property by the credit amount.

Part-year residents and nonresidents. Multiply the credit allowed a full-year resident by your Oregon percentage.

How to claim the credit

ODFW will send you a preliminary certificate within 90 days of the receipt of plans, specifications, and other information it requests from you. After you complete the project, ODFW will send you a final certificate that includes the verified costs of the installation. Contact ODFW in Salem at 503-947-6000 or toll-free from an Oregon prefix at 1-800-720-6339, or go to www.oregon.gov/ODFW.

Keep the final ODFW certificate with your tax records. Also keep a statement showing the computation of the allowed credit, if this is not on the certificate.

Carryforward. The credit for the year cannot be more than your tax liability for Oregon. You can carry forward any unused credit over the next five years. Any credit unused within five years is lost.

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Credits

Income taxes paid to another state

ORS 316.082

[Credit code 733]

If you pay tax to Oregon and another state on the **same item(s) of income,** you have "mutually taxed income." You may be able to claim a credit on your Oregon return for income taxes paid to another state.

Only take a credit for tax paid to another state if Oregon taxed the income **and** the other state also had a right to tax the income. For instance, if you live in Oregon, other states cannot tax your pension income. Only the state you live in can tax your pension income. If you pay tax to another state on your pension income, you cannot take a credit for that tax. You can't take a credit for paying tax you don't owe.

If you take an Oregon credit and a federal deduction for the same tax, add back the amount deducted to your income. Add it back in the year you deduct it.

Are you a full-year Oregon resident? Do you have income taxed by Oregon and one or more of these states: Arizona, California, Indiana, or Virginia? If so, do not claim the credit on your Oregon return. (See Exception for Oregon resident partners and S corporation shareholders below.) You must claim the credit on the nonresident return you file with the other state. See the instructions on the other state's tax form to figure your credit.

This credit is only for state income tax. You cannot claim the credit for any city tax, county tax, school tax, sales tax, alternative minimum tax (AMT), property tax, or other states' taxes not based on income. For example, the Idaho Permanent Building Fund Tax and the Washington Business and Occupation Tax do not qualify.

When can this credit be claimed?

You can claim this credit only if you have paid the other state's tax before or at the same time as you file your Oregon return. If you pay tax to another state for a prior tax year, you must amend your Oregon return for that year to claim the credit.

If Oregon and another state tax you on the same income, but in different tax years, Oregon will allow a credit for the year the tax is paid to Oregon. If you need more information, call us. For the administrative rule OAR 150-316.082(6), go to our website.

If you have a gain from the sale of your home and you pay tax to Oregon and another state or country on that sale, you can claim either the credit for taxes paid to another state or the credit for mutually taxed gain on the sale of residential property. **You cannot claim both credits.** See **Mutually taxed gain on the sale of residential property**.

How much is the credit?

Your credit is the smallest of:

- Your Oregon tax after all other credits, or
- The tax you actually paid to the other state, or
- The amount figured using Formula I, below, or
- The amount figured using Formula II, below, (for nonresidents and part-year residents for the part of the year you were a nonresident of Oregon only).

Definitions

Modified adjusted gross income

Full-year residents. Your modified adjusted gross income is your federal adjusted gross income (AGI) modified by Oregon additions and subtractions.

Part-year residents and nonresidents. Your modified adjusted gross income is the part of your federal AGI that is taxable to Oregon, modified by Oregon additions and subtractions.

"Oregon additions" are generally items of income that Oregon taxes but the federal government does not. "Oregon subtractions" are generally items of income the federal government taxes but Oregon does not. For example, U.S. bond interest is an Oregon subtraction because it is income Oregon does not tax. Do not subtract your federal tax; it is not an income item.

Formula I

$$\frac{\text{Modified AGI taxed by both states}}{\text{Modified AGI}} * \text{Your Oregon tax after all other credits}$$

Formula II

$$\frac{\text{Modified AGI taxed by both states}}{\text{Total income on the other state's return}} * \text{Other state's tax after all other credits}$$

Who can claim this credit?

Full-year residents. You may claim a credit if you pay income tax to both Oregon and another state. The tax must be on the same income that is taxed by both states.

The credit for a full-year resident is the smallest of your Oregon tax after all other credits, the tax actually paid to the other state, or the amount figured with Formula I. **Note: Full-year residents do not use Formula II.**

Example 1: Nancy has adjusted gross income of $44,000. This includes $10,000 of rental income taxed by both Oregon and Idaho and $5,000 of U.S. bond interest. She received $1,000 interest from municipal bonds from another state. She has a federal tax liability of $3,000. Her Idaho income tax is $300. Her net Oregon tax is $2,000 (before her credit for income taxes paid to another state). Here's how she figures her credit:

Federal adjusted gross income	$ 44,000
Modifications	
Add municipal bond interest	+ 1,000
	$ 45,000
Less U.S. bond interest	- (5,000)
Modified adjusted gross income	$ 40,000

Note that the federal tax subtraction is not used in this computation.

Using Formula I ($10,000 ÷ $40,000) × $2,000 = $500. Nancy's credit is $300, the **smallest** of:

- The Oregon tax after all other credits ($2,000), or
- The actual tax paid to Idaho ($300), or
- The amount from Formula I ($500).

Part-year residents. You can claim the credit for the part of the year you were a **nonresident** of Oregon if you pay income taxes on the same income taxed by both Oregon and one of the following—Arizona, California, Indiana, or Virginia.

Your credit is the smallest of:

- Your Oregon tax after all other credits,
- The tax you actually paid to the other state,
- The amount figured using Formula I, or
- The amount figured using Formula II.

You can claim the credit for the part of the year you were a **resident** of Oregon if you pay Oregon tax on income also taxed by a state not listed above (or you meet the exception described in **Exception for Oregon resident partners and S corporation shareholders**). Follow the full-year resident instructions on this page.

Example 2: Ezra moved from Idaho to Oregon on September 1. He sold Idaho property on October 18. His Idaho income tax after credits is $200. His Oregon income tax liability after other credits is $400. His income on his Oregon and Idaho returns is:

Oregon income

Wages September 1 to December 31	$ 7,000
Interest September 1 to December 31	500
Sale of Idaho property October 18:	
Idaho capital gain reported	+ 6,000*
Total AGI taxable to Oregon	$13,500

Idaho income

Wages January 1 to August 31		$ 11,500
Interest January 1 to August 31		1,000
Sale of Idaho property October 18:		
Idaho capital gain reported	6,000	
Less Idaho capital gain exclusion*	($3,600)	
Net capital gain taxed by Idaho		2,400
Total AGI taxable to Idaho		$14,900

** If the other state has any income exclusion that applies to the mutually taxed income, you must adjust the mutually taxed income by the exclusion amount.*

In Example 2, Ezra's federal capital gain is $6,000. The mutually taxed income is only $2,400. Idaho allows Ezra to exclude 60 percent ($3,600) of his $6,000 capital gain.

Here's how Ezra figures his Oregon credit for income taxes paid to another state:

Formula I: ($2,400 ÷ $13,500) × $400 = $71

His credit is $71, the smallest of:

- His Oregon tax ($400), or
- The tax actually paid to Idaho ($200), or
- The amount using Formula I ($71).

Example 3: Use the same facts as in Example 2, except change the date Ezra sold his Idaho property to August 19.

Because Ezra sold his Idaho property before becoming an Oregon resident, he doesn't have any mutually taxed income. Ezra will not claim a credit for income tax paid to another state.

Nonresidents. You can claim a credit if you pay income taxes on the same income taxed by both Oregon and one or more of the following—Arizona, California, Indiana, or Virginia.

Your credit is the smallest of your Oregon tax after all other credits, the tax you actually paid to the other state, the amount figured using Formula I, or the amount figured using Formula II.

Example 4: Mary is a full-year resident of California. She lived in Oregon for 10 years prior to retiring to California. While living in Oregon, she acquired and maintained rental property there. She now receives installment payments from the sale of the property and pays tax to California on the gain and interest. Her California income tax after credits is $100.

Because she is an Oregon nonresident, only the gain is taxed on her Oregon nonresident return. Her Oregon tax after credits is $350. Her income is as follows:

Oregon income

Capital gain on installment sale of real property	$10,000
Total AGI taxable to Oregon	$10,000

California income

Capital gain on installment sale of real property	$10,000
Interest on installment sale	5,000
Other interest	8,000
Business loss	(20,000)
Total AGI taxable to California	$3,000

Her income taxed by both states is $10,000. Her Oregon credit is $100, the **smallest** of:

- Her Oregon tax ($350), or
- The tax actually paid to California ($100), or
- Formula I: ($10,000 ÷ $10,000) × $350 ($350), or
- Formula II: ($10,000 ÷ $3,000) × $100 ($333).

Exception for Oregon resident partners and S corporation shareholders. Shareholders of certain S corporations and partners may be able to claim a credit for income taxes paid to another state on their **resident** Oregon return. The S corporation must pay the income tax, not a minimum tax.

To claim the credit on the **resident** return, the partner must have participated in a Multiple Nonresident filing for the other state and the partnership must have paid the partner's tax liability. The partner is considered to have paid a pro rata share of the other state's income tax.

The allowable credit is the smallest of the following:

- Oregon tax on the individual's return, or
- The individual's pro rata share of the other state's tax, or
- The individual's pro rata share of the mutually taxed S corporation or partnership income:
    - divided by the individual's modified Oregon income, and
    - multiplied by the Oregon tax liability from the individual return.

Example 5: Oliver is a full-year Oregon resident with modified Oregon income of $30,400 and Oregon tax (after all other credits) of $1,538. Oliver is a 10 percent shareholder of My Corp., an electing S corporation in California. California has a corporate tax of 1.5 percent of income, with a minimum corporate tax of $800.

For this tax year, My Corp. distributed $10,000 among its shareholders (Oliver's share is $1,000). The corporation must pay California $800 of tax, and only $150 is attributable to income ($10,000 × 1.5%). Oliver's share of this tax is $15. The balance paid by My Corp. ($650) is a minimum tax and doesn't qualify for this credit. Oliver's Oregon credit for income taxes paid to another state is $15, the smallest of:

- Oregon tax after all other credit: $1,538, or
- Pro rata share of California's tax: $15, or
- ($1,000 ÷ $30,400) × $1,538 = $49

An Oregon resident is allowed a credit for taxes paid to another state on mutually taxed income if the other state does not allow the credit.

Example 6: Monte, an Oregon resident, receives partnership income from Virginia sources and joins in a multiple nonresident filing with that state. If Virginia does not allow a credit for taxes paid to Oregon on the multiple nonresident tax return, then Monte can claim a credit on his Oregon resident return.

Verification required

You must include a copy of that state's tax return and proof of payment with your Oregon tax return if you claim a credit for income taxes paid to another state.

If you claim a credit for income taxes paid to another state by an S corporation or partnership on your behalf, you must include the following items with the back of your return:

1. A statement explaining the election, option, or requirement under the other state's laws that required the S corporation or partnership to pay the tax on behalf of the shareholder or partner, and
2. A copy of Schedule K-1 (individual's share of income, credits, deductions, etc.) showing the tax paid to the other state on the proportionate share of the income taxable to the individual, and
3. A statement that the S corporation did not take a subtraction for the taxes paid.
4. A statement showing your computation of the credit.

Addition for taxes also claimed as an itemized deduction

Did you claim a credit for taxes paid to another state and claim those same taxes as an itemized deduction? If so, you will have an Oregon addition for the smaller of:

- The other state's tax liability amount for the year you claim the Oregon credit, or
- The other state's tax amount for the year you included it as an itemized deduction (as limited if your total Schedule A deductions were limited because you are a high income taxpayer).

Add this amount to Oregon income as an "Other addition." This reduces your itemized deductions for the other state's income tax. Use numeric code 104.

If you pay tax to more than one state, compute your addition state by state. Also compute it year by year.

Is the amount of tax you are deducting less than what you owe the other state? If so, make an addition on next year's Oregon return for the tax that was paid and deducted on your federal return.

Example 7: Inga claimed a $100 credit for taxes paid to Maine on her Oregon return. She claimed a deduction of $200 for Maine taxes withheld from her wages on Schedule A. On Inga's Maine return, her net tax liability is $150. She will add $150 to the Oregon state income tax she claimed as an itemized deduction. This is the smaller of her Maine tax liability ($150) or the amount she claimed as an itemized deduction ($200) for Maine taxes.

Example 8: Peggy lives in Oregon. She owes $300 to Iowa for 2009. Her credit for tax paid to Iowa is $200. Peggy computes her credit using Formula I. Peggy has $100 withheld from her pay for Iowa tax in 2009. She pays the other $200 when she files her 2009 Iowa return. Peggy deducts $500 for tax she pays to California.

Peggy adds back $100 as an "Other addition" on her Oregon return. She makes no changes for the California tax. She may not take a credit for California tax.

If Peggy itemizes again in 2010, she may deduct $200 (her 2009 credit) on her federal tax return. Peggy adds back $200 on her Oregon tax return.

Addition when credit taken by Oregon resident partners and S corporation shareholders for tax paid by partnership or S corporation

If you take a credit for tax paid to another state by a business (partnership or S corporation), add back the deduction to Oregon income this way:

- Add the tax you deducted for the other state to Oregon income as an "Other addition" if:
- the business does not deduct the tax payment on its own tax return,
- you file a return for the other state, **and**
- you deduct the tax on your return.

You will also add the tax you deducted for the other state to Oregon income as an "Other addition" if:

- the business pays the tax,
- the business files a composite return for you,
- the business does not deduct the tax, **and**
- you deduct the tax on your return.

Add to your Oregon income the tax that the business deducts if:

- the business pays the tax,
- the business deducts the tax, **and**
- you take a credit on your return for it.

Use addition code 104. The deduction by the business lowered your Schedule E income.

Example 9: Susan owns 50% of Painter, Inc., an Oregon S corporation. Painter pays California income tax. It deducts the tax on its return. Painter paid $2,000 of tax for Susan with its 2008 tax return filed in 2009. It paid $30,000 of 2008 tax for her in 2008 and $10,000 of 2008 tax in January 2009.

Susan figures her credit for 2008 using $42,000. She adds back $30,000 on her 2008 return with addition code 104.

Susan adds back $12,000 on her 2009 return.

Example 10: William itemizes his deductions. William owns 5% of Claflin, LLP, a limited partnership in Utah. The business files group returns for its owners.

Each year, the company sends a letter to its owners showing the amounts the owners can deduct for income taxes and the amounts they can take as a credit. The business pays the taxes with the group returns. The letter states that William can take a $3,000 credit for Utah and that he can deduct $4,000.

William claims a credit of $3,000 on his Oregon return and deducts $4,000. He will add $4,000 to his Oregon income as an "Other addition."

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Individual Development Accounts

[Addition code 113] [Donation Credit code 715]
[Subtraction code 314] [Withdrawal Credit code 738]

Subtraction ORS 316.848

An Individual Development Account (IDA) allows you, as an individual in a lower income household, to accumulate assets tax-free. As the account holder, you will make deposits to your own account. Your deposits will be matched with private donations.

Withdrawal of funds for a qualified purpose is tax-free. Qualified purposes include:

- Paying higher education expenses, or
- Purchasing a primary residence, or
- Starting your own business.

Oregon allows a subtraction on your tax return for deposits to your IDA through the Neighborhood Partnership Fund. Your subtraction is the amount of deposits made and interest received that are included in your federal taxable income.

For more information, call The Neighborhood Partnership Fund at 503-226-3001 or go to their website at www.tnpf.org.

Addition

Did you make a nonqualified withdrawal from your IDA during the year? If so, you must report the amount as an “other addition” on your Oregon income tax return.

Withdrawal Credit ORS 315.272

A tax credit is available to IDA account holders for withdrawals from an IDA. The withdrawal must be used for settlement, financing or other closing costs incurred in purchasing a primary residence. This credit is in addition to the subtraction for contributions to the IDA.

The credit is the least of:

- The amount withdrawn from the IDA,
- The qualifying closing costs to purchase a primary residence,
- The taxpayer’s tax liability for the year, or
- $2,000.

There is no carryforward and the credit is not prorated for part year residents or nonresidents.

Donation Credit ORS 315.271

Oregon allows a tax credit for charitable contributions to the Neighborhood Partnership Fund for the Oregon IDA program during the tax year. Individuals, partners, S corporation shareholders, and corporations can claim the credit. Part-year residents and nonresidents are not required to prorate the credit.

The credit is the smaller of $75,000 or 75 percent of the donation made. It cannot be more than your Oregon tax liability. You may not claim both the tax credit and a charitable deduction or business deduction for the same contribution. If you claim the credit you will have an addition on your Oregon return for the amount deducted. If you were required to reduce your itemized deductions because of your adjusted gross income you will need to recalculate your Oregon addition.

For information on how to make a donation, contact The Neighborhood Partnership Fund at 503-226-3001 or go to their website at www.tnpf.org.

The credit cannot be more than your tax liability for Oregon. You can carryforward any unused credit for the next three years. If you do not use the unused credit within three years, it is lost.

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Credits

Involuntary move of a mobile home

ORS 316.153

[Credit code 741]

If you claimed the non-refundable credit for involuntary move of a mobile home in 2006, you may have a carryforward. Enter the amount of your carryforward on your Oregon return as an “Other credit.” Use code 741 to identify it. The unused amount can be carried forward for up to five years.

If you were required to move out of a mobile home park in 2007 or later, you may qualify for the mobile home park closure credit. See **Mobile home park closure**.

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Credits

Long-term care insurance premiums

ORS 315.610

[Credit code 716]

Oregon allows a tax credit for long-term care insurance premiums.

Who can claim the credit?

To qualify, you must hold a policy that was issued on or after January 1, 2000, and you, your parents, or your dependents must be the beneficiaries. You may also claim the credit if you're an employer paying for long-term care insurance for your employees.

How much is the credit?

The credit is the smaller of 15 percent of the premiums paid or $500. If you and your spouse/RDP file separate returns, you must prorate the credit, but can prorate it any way you choose. The combined credits on each person's separate return can't be more than the credit you would be allowed on a joint return.

For employers, the credit is the smaller of 15 percent of the premiums paid or $500 multiplied by the number of Oregon employees covered.
Example 1: Ian purchased a long-term care insurance policy for himself in 2000. In 2009 he paid $920 of premiums to renew his policy. Ian's credit is $138 ($920 × 15 percent).

Example 2: Jena purchased a long-term care insurance policy for herself in 1997. In 2009 she paid $640 of premiums to renew the policy. Because Jena purchased her policy before 2000, she cannot claim this credit.

Example 3: Chevy purchased a long-term care insurance policy in 2009 for his elderly parents, Peter and Pansy. He paid $2,600 in premiums. His parents are the beneficiaries. Chevy also paid $500 in premiums to renew the long-term care insurance policy he purchased in 2001. He is the beneficiary. Chevy paid a combined total of $3,100 in premiums on the two policies. His credit is $465 ($3,100 x 15 percent).

You must report any benefit from a federal deduction for the premiums as an Oregon addition.

Part-year residents and nonresidents. Multiply the credit allowed a full-year resident by your Oregon percentage.

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

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Credits

Loss of use of limbs

ORS 316.079

[Credit code 717]

Who can claim the credit?

You're entitled to this credit if you have permanent and complete loss of the use of two or more limbs.

How much is the credit?

The credit is $50 per year for taxpayers who qualify. A $50 credit can also be claimed for your spouse/RDP if they also qualify. You cannot claim this credit for a dependent.

How to claim the credit

Get a disability certification form the first year you file for the credit. The form is available from your county public health officer, who must sign the form. Keep the form with your permanent health records.

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

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

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Credits

Low-income caregiver (for home care of a low-income person age 60 or older)

ORS 316.148

[Credit code 718]

You may be eligible for this credit if you pay expenses for the care of a person 60 or older that keeps them from being placed in a nursing home. Both of you must meet certain qualifications to be eligible for the credit.

Who can claim the credit?

You can only claim the credit if your household income is less than $17,500. Household income is the total taxable and nontaxable income of a husband and wife living in the same household.

The person receiving care must meet **all** of the following requirements:

- Is at least 60 years old, and
- Is not in a nursing home, rehabilitation facility, or other long-term skilled care facility, and
- Doesn't receive medical assistance from the state Seniors and People with Disabilities Division, and
- Qualified for Oregon Project Independence during the tax year. The program helps keep people from going to nursing homes unnecessarily. To qualify, they must have severe problems with communication, mobility, managing a household, nutrition, personal relationships, managing money, health, or other problems caring for oneself. The problems must be severe enough that the person might normally be placed in a nursing home, and
- Does not receive services from Oregon Project Independence including housekeeping, homemaking, and home health care, and
- Has household income of $7,500 or less. The support you gave the person is considered a gift. The total gifts received by the person, minus $500, must be included in their household income.

Part-year residents and nonresidents. You can claim the full credit, subject to the requirements above.

How much is the credit?

The credit is equal to the smaller of $250 or 8 percent of the qualifying expenses paid or incurred during the tax year.

What are qualifying expenses? You can claim food, clothing, medical, and transportation expenses you paid during the year. The amount you paid for lodging doesn't qualify. Transportation expenses for medical and personal needs, such as shopping, also qualify.

You can claim only the costs paid after the person became 60 years old. Do not claim costs paid while the person received benefits from Oregon Project Independence or medical assistance from Seniors and People with Disabilities Division. Don't claim costs paid while the person was in a nursing home or mental institution. When you figure the costs you paid, you must subtract any reimbursement from insurance or from the person receiving care.

How to claim the credit

To claim the credit, the Oregon Department of Human Services (DHS) must certify that the person qualifies. Download the Low-Income Caregiver Credit form from our website or call us to order it.

Send your completed form to DHS for certification. Instructions and the address for DHS are on the form. Keep the completed form showing the certification and expenses paid with your Oregon income tax records.

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

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Credits

Mobile home park closure

Notes following ORS 316.116

Did you move out of a mobile home park in 2009 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 household) of the mobile home park because of the park closure notice.

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. Include Schedule MPC with your tax return.

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.

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Credits

On-farm processing machinery and equipment

ORS 315.119

[Credit code 721]

An income tax credit was available to individuals and corporations for property tax paid on machinery and equipment used for on-farm agricultural processing. This credit expired in 2007.

Carryforward. The credit for the year cannot be more than your tax liability for Oregon. You can carry forward any unused credit for up to five years. Any credit unused within five years is lost.

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Department of Revenue: Personal Income Tax

Credits

Oregon Cultural Trust contributions

ORS 315.675

[Credit code 722]

Did you make a donation to an Oregon nonprofit cultural organization during the tax year? If so, you can make a matching donation to the Trust for Cultural Development Account and get an Oregon tax credit.

How much is the credit?

You may get a credit of up to 100 percent of the amount of the matching charitable contribution. The maximum credit is $500 per taxpayer ($1,000 on jointly filed returns). For a husband and wife who file separate returns, each may claim a share that would have been allowed on a joint return in proportion to the contribution each spouse made.

Corporations can claim a credit of up to $2,500 per tax year.

Generally these donations also qualify as a charitable contribution for federal and state tax purposes. The donations are claimed as an itemized deduction on your federal Schedule A. If you claim your donation to the Oregon Cultural Trust as a tax credit on your Oregon return, you cannot claim a charitable contribution on your Oregon return. You will have an “other addition” on your Oregon return for the amount you claimed as a charitable contribution. Learn more about the required addition.

Be sure to keep receipts from both organizations with your tax records.

Part-year residents and nonresidents. Multiply the allowable credit by your Oregon percentage.

No carryforward. For individuals and corporations, the credit cannot be more than the tax liability for Oregon. Any credit not used this year is lost.

For more information about the Oregon Cultural Trust, contact the Oregon Arts Commission or go to their website at www.culturaltrust.org.

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Department of Revenue: Personal Income Tax

Credits

Oregon Production Investment Fund

ORS 315.514 and OAR 951-003-0001

[Credit code 737]

Individuals and corporations making a contribution to the Oregon Production Investment Fund may qualify for a tax credit. Total credits certified each year by the office are limited to $5 million.

Who can claim the credit?

An individual or a corporation can claim a credit for certified film production development contributions during the year. Send your contribution to the Oregon Business Development Department.

How much is the credit?

Your contribution will be equal to 90 percent of the tax credit. Divide your contribution by 90 percent (.90) to calculate your credit. **Exception:** Because credits are limited to $5 million per year, you can get certification for a partial credit depending on the available credits in the fund at the time you apply. For more information contact the Film and Video Office in Portland at 503-229-5832 or at susan@oregonfilm.org.

Example: Maya made a contribution of $2,000 to the Oregon Production Investment Fund. She received certification from the office for a credit of $2,222. Maya's credit is determined as follows: $2,000 ÷ .90 = $2,222 credit.

This may qualify as a charitable contribution on Schedule A for federal and state tax purposes. If you claim your donation to the Oregon Production Investment Fund as a tax credit on your Oregon return, you cannot claim the donation as a charitable contribution on your Oregon return. You'll have an "other addition" on your Oregon return for the amount you claimed as a charitable contribution. Learn more about the addition.

How to claim the credit

Send your contribution and application form to the Oregon Business Development Department, Attn: Fiscal Services, 775 Summer Street NE, Suite 200, Salem, OR 97301-1280.

Part-year residents and nonresidents. You can claim the full credit allowed to full-year residents.

Carryforward. The credit for the year cannot be more than your tax liability for Oregon. You can carry forward any unused credit for the next three years. Any credit unused within three years is lost.
For more information on this credit or to get a **Tax Credit Application Form** contact the Oregon Film and Video Office in Portland at 503-229-5832 or by e-mail at susan@oregonfilm.org.

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Department of Revenue: Personal Income Tax

Credits

Oregon Veterans' Home

ORS 315.624

[Credit code 747]

Physicians who provide medical care to residents of the Oregon Veterans' Home (OVH) may be eligible for a credit of up to $5,000 per year.

Who can claim the credit?

Any resident or nonresident individual physician may qualify for the credit. The physician must be licensed to practice under ORS chapter 677. They must provide care to a minimum of at least eight residents at OVH.

S corporation shareholders and partnership members may only claim a credit based on the care they provided. The full amount of the credit shall be allowed to each taxpayer who qualifies in an individual capacity.

Part-year residents and nonresidents. Your allowable credit must be prorated by your Oregon percentage.

How much is the credit?

The credit is equal to the lesser of:

- $1,000 for every eight residents to whom the physician provides care at OVH; or
- $5,000.

How to claim the credit

You must submit with your tax return a letter from OVH. The letter must state that you missed no more than five percent of your scheduled visits during the tax year for which the credit is claimed.

The credit is nonrefundable and may not exceed your tax liability for the year. There is no carry forward of unused credits.

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Credits

Political contributions

ORS 316.102

[Credit code 723]

Oregon law allows a tax credit for political contributions.

Who can claim the credit?

To qualify, you must have contributed money in the year you claim the credit. You must reduce the amount of your contribution by the fair market value (FMV) of any item(s) or service(s) you receive in exchange for your contribution. Contributions of goods or services do not qualify. Keep receipts from the candidate or organization with your tax records. You can use copies of canceled checks as your receipt.

How much is the credit?

Your credit is equal to your contribution, but limited to $100 on a joint return or $50 on a single or separate return.

Partners or S corporation shareholders can claim a credit for their share of political contributions made by the partnership or S corporation. The contribution must meet the statutory requirements. The $50 and $100 limits apply individually to each partner's or shareholder's return.

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

Which contributions qualify?

Candidates and their principal campaign committees. You can claim a credit for a contribution to a candidate for federal, state, or local elective office, or to the candidate's principal campaign committee. To qualify, at least one of the following must occur in Oregon the same calendar year you made your contribution:

- The candidate's name must be listed on a primary, general, or special election ballot,
- A prospective petition of nomination must be filed by or for the candidate,
- A declaration of candidacy must be filed by or for the candidate,
- A certificate of nomination must be filed by or for the candidate,
- A designation of a principal campaign committee must be filed with the Oregon Secretary of State's Office. **Note:** The designation must be made in each year a contribution is made to qualify under this provision.

Political action committees. You can claim a credit for contributions to political action committees (PACs). The organization must have certified the name of its political treasurer with the appropriate filing officer, usually the Secretary of State for statewide or regional elections, your county clerk for county elections, or your city recorder for city elections. PACs registered with the Federal Elections Commission may not be required to register in Oregon.

Political parties. Political parties can be national, state, or local committees of major political parties. Oregon also allows a tax credit for contributions made to minor political parties that qualify under state law. Contact the Oregon Secretary of State's Office in Salem at 503-986-1518 to see if a particular party qualifies.

Newsletter fund—credit not allowed. Oregon does not allow a credit for contributions made to a newsletter fund.

Example 1: Holly contributes $275 for a fund-raising dinner for a presidential candidate. The FMV of the dinner was $35. Holly's political contribution is $240. She must reduce her $275 contribution by the $35 FMV of the dinner she received. Being single, Holly's political contribution credit is limited to $50.

Example 2: Burt donated a desk, chair, and a four-drawer file cabinet to his favorite political action committee (PAC) headquarters. The FMV of the furniture is $410. Burt has a written receipt from the PAC. He cannot claim a political contribution credit because he didn't contribute money to the PAC. His contribution of office furniture does not qualify for the credit.

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Credits

Pollution control facilities

ORS 315.304

[Credit code 724]

Did you make an investment in a pollution control facility on or before December 31, 2007?

If so, you can file an optional preliminary application for the tax credit with the Department of Environmental Quality (DEQ) any time before you complete the pollution control facility. You must file an application for final tax credit with the DEQ within the first year after purchase or completion. The last date to submit an application is December 31, 2008. DEQ will make a final recommendation to the Environmental Quality Commission (EQC) based on the available information.

To contact the DEQ, write to: Oregon Department of Environmental Quality, Waste Management and Cleanup, 811 SW 6th, Portland OR 97204-1390, call in Portland 503-229-6878 or toll-free from an Oregon prefix 1-800-452-4011, ext. 6878. Or, go to DEQ's website at www.oregon.gov/DEQ. Keep a copy of the DEQ certificate with your tax records.

If you claim a property tax exemption, file the DEQ form with your county assessor. The property tax exemption for nonprofit corporations is valid for 20 years.

Carryforward. You can carry forward unused pollution control credits for three years. An additional three-year carryforward is allowed provided credits had not expired as of the 2001 tax year and the facility remains in operation during the additional carryforward period.

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Credits

Reforestation

ORS 315.104

[Credit code 727]

If you develop underproductive forestland into a commercial forest, you may receive a tax credit for your eligible costs to develop the forest. Eligible development costs include the application fee (for projects planted in 2008 and beyond), site preparation, tree planting, and silviculture treatments considered necessary and reasonable by the state forester. This credit will expire January 1, 2022.

Who can claim the credit?

An individual, corporation, S corporation, or other nonpublic legal entity can claim the credit. You must:

1. Own, be purchasing under a recorded contract of sale, or lease at least five acres of land in Oregon capable of growing a commercial forest, and
2. Have at least $500 of net eligible costs in the project. Funds provided by any state or federal incentive programs are not considered money spent on the project, and
3. Develop the land into a commercial forest. You may not claim the credit to grow Christmas trees, ornamental trees, shrubs, or plants. The credit is not allowed to reforest any forestland that has been commercially logged to the extent that reforestation is required under the Oregon Forest Practices Act.

Exception: Credit is allowed when qualified hardwood harvests are conducted to convert underproductive forestland.

Partnerships or S corporations. Partners can claim a credit for costs incurred by the partnership, based on each partner's percentage of ownership interest. Shareholders in an S corporation can also claim this credit. The credit is computed using the shareholder's pro rata share of the corporation's certified reforestation project costs.

Change in ownership. Only the original owner may claim the balance of the credit if there is a change in ownership between the time the project is completed and the forest is established. If the forest is sold, the unused credit cannot be transferred to the new owner(s). If the forest is not established, the original owner must repay the credit previously received. The new owner does not qualify for any credit on a project started by the original owner.

What are qualifying expenses?

You can claim actual expenses incurred for labor, supervision, materials, and equipment operating costs. **Costs must be reasonable.** Do not claim the cost of equipment or tools used in the project that have a useful life of more than one year. These items must be depreciated. You can claim the allowable depreciation expense as a cost of the project limited to the actual years of the project. Your personal labor is not an eligible expense.

You must reduce your cost by the amount reimbursed from any state or federal incentive programs.

How to claim the credit

A stewardship forester can tell you if your project will qualify for the credit before the project begins. After the trees are planted, complete the application form, pay the application fee (currently, the fee is $400), and submit them to ODF. If the project qualifies, the application fee is paid, costs seem reasonable, and the annual limit has not been exceeded, the stewardship forester will inspect the land.

If the project meets Forest Practices Act standards, ODF will issue a preliminary certificate. Claim one-half of the credit (25 percent of the costs) for the year the trees were planted. Keep a copy of the certificate with your Oregon tax records.

After the trees have survived two or more growing seasons, the stewardship forester must inspect your land again. If the forest is established in accordance with state specifications, and your costs appear reasonable, the final certificate will be issued. You may then claim the balance of the credit (25 percent of the costs plus 50 percent of any additional maintenance costs). Keep a copy of the completed final certificate with your tax records.

Annual limit

By statute, the state forester must limit the total dollar amount of reforestation credits available each year.
When you request a preliminary and/or final certificate, include all information required by the state forester and an estimate of the amount you expect to claim on your return.

The state forester considers requests in the order they are filed. If you meet all the necessary requirements, you'll get a preliminary certificate, unless the annual limit has already been reached by prior requests for other projects.

Recapture. If the new forest is not established (according to Forest Practices Act standards) for reasons within your control, you must repay the 25 percent credit you received when you filed the preliminary certificate. If the failure is due to causes beyond your control (fire, drought, etc.), you do not have to repay it. However, you cannot claim the second 25 percent. After the trees are replanted, you can reapply for the tax credit in areas where reforestation failed.

Depreciation and basis. You can still claim any depreciation or amortization otherwise allowed. Do not reduce your basis in the property by the amount of the credit.

Carryforward. The credit cannot be more than your tax liability for Oregon. You can carry forward any unused credit to the next three years. Any credit unused within three years is lost.

Questions about reforestation? For a brochure or more information, go to the Oregon Department of Forestry website at www.oregon.gov/ODF or call 503-945-7368 in Salem.

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Credits

Reservation enterprise zone

ORS 285C.309

[Credit code 728]

Businesses in an Oregon reservation enterprise zone that pay tax to tribal governments can claim a credit against their Oregon income tax.

The credit is equal to either:

- The tribal property tax on a business facility that is paid or incurred during the tax year, or
- Any tribal tax paid or incurred during the tax year the business first begins to operate in the reservation enterprise zone.

The credit is allowed only if the tax is imposed uniformly in the territory.

â€©Contact the Oregon Economic and Community Development Department for the location of reservation enterprise zones at www.oregon4biz.com/enterthezones/.

Who can claim the credit?

The credit is available to individuals, partnerships, and corporations. Any business activity qualifies, except property leasing. The business must have begun in 2002 or later.

Part-year residents and nonresidents. Multiply the credit allowed a full-year resident by your Oregon percentage.

How do I claim the credit?

Fill out the form Reservation Enterprise Zone Tribal Tax Credit and instructions. Download the form from our website or call us. Keep the completed form with your tax records.

No carryforward. The credit may not be more than your tax liability for Oregon. Any credit not used this year is lost.

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Department of Revenue: Personal Income Tax

Credits

Residential energy

ORS 316.116

[Credit code 729]

You can qualify for a credit on your Oregon income taxes by purchasing certain energy-efficient items.

What qualifies?

Category one alternative energy devices:

- Systems that use solar energy for space heating or cooling.
- Systems that use solar energy for water heating.
- Ground source heat pumps or geothermal systems.
- Any wind-powered device used to offset or supplement electricity.
- Equipment used in the production of alternative fuels.
- Generators powered by alternative fuels and used to produce electricity.
- An energy-efficient appliance.
- An alternative fuel vehicle.
- Premium efficiency wood or pellet stoves.

Category two alternative energy devices:

- Solar electric systems.
- Wind electric systems.
- Fuel cell systems.

Who can claim the credit?

Homeowners, renters, and contract buyers who purchase qualifying devices can apply for the credit. A person who pays the present value of the tax credit to the person who purchases the device may also apply for the credit.

Part-year residents and nonresidents. Multiply the credit allowed a full-year resident by your Oregon percentage. Note: Only vehicles first registered in Oregon are eligible for this credit.

How much is the credit?

The tax credit is based on an estimate of how much energy the system will save in the first year. The value of the credit per kilowatt-hour (kWh) saved depends on the type of equipment or system. The credit allowed for each category one device is $1,500.

For hybrid and alternative fuel vehicles, the credit is 25 percent of the cost of the vehicle, but not more than $750. For fueling/charging systems, the credit is 25 percent of the cost of the system, but not more than $750.

The credit allowed for each category two device is $3 per watt of installed output, not to exceed 2,000 watts. For wind electric systems, the credit is $2 per watt up to 3,000 watts.

How to apply for the credit

Complete an *Application and Verification Form for Residential Energy Tax Credit Certification* for the system or equipment you buy. Qualifying lists of systems or equipment are on the Oregon Department of Energy website at www.oregon.gov/ENERGY. Send the application to the Oregon Department of

Energy with proof of payment. When approved, you will get certification showing your qualified tax credit.

For an application form and lists of qualifying equipment, go to the Oregon Department of Energy website or call 503-378-4040 in Salem or toll-free from an Oregon prefix at 1-800-221-8035.

How to claim the credit

Claim the credit on your state income tax form in the tax year you purchased the device if it was operational by April 1 of the next year.

Example 1: You purchased a qualifying energy-efficient clothes washer in December 2009 and had it installed and operating by January 2010. Claim the credit on your 2009 tax return.

Example 2: You purchased a qualifying ground source heat pump in October 2009 and had it installed and operating by May 2010. Claim the credit on your 2010 tax return. Don't claim it on your 2009 return because the pump wasn't in operation by April 1, 2010.

Keep your certification, a copy of your application, proof of payment, and any supporting documentation with your tax records. Do not include these items with your tax return.

Carryforward. The credit cannot be more than your tax liability for Oregon. You may carry forward any unused credit for up to five years. If you do not use the credit within five years, it is lost.

How does this affect property value?

The legislature provided a property tax exemption for alternative energy devices. Ask your county assessor what installation of an alternative energy device will do to the assessed value of your property.

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Department of Revenue: Personal Income Tax

Credits

Retirement income

ORS 316.157

[Credit code 730]

Who can claim the credit?

If you were **age 62 or older** on December 31, 2009, and receiving taxable retirement income, you can qualify for this credit. Retirement income includes payments in **Oregon taxable income** from:

- State or local government public pensions.
- Employee pensions.
- Individual retirement plans.
- Employee annuity plans.
- Deferred compensation plans including defined benefits, profit sharing, and 401(k)s.
- Federal pensions (includes military) not subtracted from Oregon taxable income.

How do you qualify for the credit?

- Your household income is less than $22,500 ($45,000 if married filing jointly), **and**
- Your Social Security and/or Tier 1 Railroad Retirement Board benefits are less than $7,500 ($15,000 if married filing jointly), **and**
- Your household income plus your Social Security and Tier 1 Railroad Retirement Board benefits is less than $22,500 ($45,000 if married filing jointly).

You can claim this credit or the credit for the elderly or the disabled, but not both.

How much is the credit?

Use the following worksheet to calculate your credit:

1.	Enter the retirement income of the eligible individual(s) (Form 40, line 8; or Form 40N or 40P Oregon column, lines 16 and 17).	1.
2.	Enter any federal pension income subtracted from Oregon income.	2.
3.	Net Oregon taxable pension. Line 1 minus line 2.	3.
4.	Enter $7,500 ($15,000 if married filing jointly).	4.
5.	Enter both spouses' total Social Security and Tier 1 Railroad Retirement Board benefits.	5.
6.	Line 4 minus line 5, but not less than -0-.	6.
7.	Enter your household income. See the next section to determine household income.	7.
8.	Household income base. Enter $15,000 ($30,000 if married filing a 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 smaller of line 3 or line 10.	11.
12.	Multiply line 11 by 9% (.09). This is your credit.	12.

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

What's included in household income?

Household income generally includes all income (both taxable and nontaxable) each spouse received during the year. Include gross income reduced by adjustments as reported in your federal adjusted gross income (AGI).

You also need to include items not in your federal AGI. These items include but are not limited to:

- Veteran's and military benefits.
- Gifts and grants (total amount minus $500).
- Disability pay.
- Nontaxable dividends (other than "return of capital").
- Inheritance.
- Insurance proceeds.
- Nontaxable interest.
- Lottery winnings.
- Railroad Retirement Board benefits (Tier 2 only).
- Scholarships.

See the household income checklist for more help.

Do not include:

- Social Security and Tier 1 Railroad Retirement Board benefits.
- Your state tax refund.
- Pension income excluded from federal AGI that is a return of your contributions.
- Pensions that are rolled over into an IRA.

To determine household income, you must separate income (or loss) from businesses, farms, rentals or royalties, and dispositions of tangible or intangible property. Combine all income from similar sources for net income or loss. Any net loss from the source is limited to $1,000. Net operating loss carrybacks or carryforwards are not allowed. Capital loss carryforwards are not allowed.

Example 1: Jack owns a farm and has a $4,000 loss. He is also in a partnership whose main activity is farming. Jack has income from the partnership of $1,500. His net farm loss is $2,500. He may claim only $1,000 of this loss to compute his household income. Any net loss Jack has from other sources is also limited to $1,000 each. If Jack is claiming more than a $1,000 loss on any line, he must include a worksheet showing his computations.

If the combined total of your depreciation, depletion, and amortization deductions is more than $5,000, you must add the excess back into household income. You must also increase your household income by the Oregon income tax modification for depletion in excess of basis.

Example 2: Callie has a business with gross income of $32,000 for the year. She has a $11,000 depreciation deduction. Other business expenses are $24,500. She reports a business loss for federal purposes of $3,500. She recomputes her business income for household income purposes. The allowable depreciation deduction is limited to $5,000. She reports $2,500 business income, computed as follows: $32,000 – ($5,000 + $24,500) = $2,500.

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Credits

Riparian land

ORS 315.113

[Credit 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."

What land qualifies for the credit?

To qualify, riparian land must be Oregon land that:

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

To claim this credit, the land must have been in crop production or you must have claimed the credit in the previous tax year. Livestock does not qualify as a crop.

You must be actively engaged in farming the land next to the riparian land removed from production. The riparian land removed from farm production may not be used for any other purpose.

You must have removed the land from farm production voluntarily. If you're required as a result of a federal, state, or local law or government decision, you may not claim the credit. **Exception:** If the land was removed from farm production under an agricultural water quality management plan administered by the Oregon State Department of Agriculture.

How much is the credit?

The credit is 75 percent of the market value of the foregone crop, the crop grown on the riparian land the year before taking it out of production. To figure the credit, use the market value and yield for the crop for the current year **as reported by your County Extension Office**.

Use this formula to determine your credit:

A × B × C × D = 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.

Example 1: Cassie farms in the Willamette Valley. She voluntarily removed 35 feet of riparian land from farm production in 2009, which totaled three acres of farmland. Cassie planted and harvested a crop on this riparian land in 2008. The 2008 crop yield was 810 pounds per acre and sold for $2.05 per pound. In 2009 the County Extension Office reported the yield for that crop was 785 pounds per acre and the market value was $1.95 per pound. Cassie's 2009 riparian land credit is $3,444, figured as follows:

A = 3 acres
B = 785 pounds per acre
C = $1.95 market value
D = 75 percent

3 × 785 × $1.95 × .75 = $3,444

In 2010 the County Extension Office reports a crop yield of 770 pounds per acre and a market value of \$1.91 per pound. Cassie's 2010 riparian land credit would be \$3,309, figured as follows:

$3 \times 770 \times \$1.91 \times .75 = \$3,309$

Putting land back in production. If you claim this credit in one year and place the riparian land back into farm production another, you cannot claim this credit for five tax years following the year you place the riparian land back into farm production.

Example 2: Caleb voluntarily removed 29 feet of riparian land from farm production in 2009 and claimed the credit. In 2010 he placed the same 29 feet of riparian land back into farm production. He will be eligible to claim the credit again in 2016 if he meets all other criteria.

Who can claim the credit?

Farm owners engaged in farm production can claim this credit. Also, if a farmer engaged in a farm operation and a landowner are in a share-rent agreement, you can each claim a credit. The credit will be prorated according to your agreement. Your combined total credit will not be more than the credit allowed to one taxpayer if the farm operation was not subject to the share-rent agreement.

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

Carryforward. The credit cannot be more than your tax liability for Oregon. You may carry forward any unused credit over the next five years. Any credit unused within five years is lost.

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Credits

Rural emergency medical technicians

ORS 315.622

[Credit code 742]

A tax credit is available for emergency medical technicians in qualifying rural areas of Oregon. The credit is based solely on determination of eligibility by the Office of Rural Health.

Who can claim the credit?

Emergency medical technicians (EMTs) who provide volunteer EMT services in a qualifying rural area that comprise at least 20 percent of the total EMT services provided by the individual in the tax year. A qualifying rural area is an area in Oregon that is located at least 25 miles from any city with a population of 30,000 or more.

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.

How much is the credit?

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

How to claim the credit

You must apply to the Office of Rural Health **each year** for confirmation of eligibility. Forms are available on their website at www.ohsu.edu/oregonruralhealth. Contact Rural Health in Portland at 503-494-4450 if you have questions or need assistance. Keep a copy of the confirmation letter with your tax records for each year you claim the credit.

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Credits

Rural health practitioners

ORS 315.613

[Credit code 731]

A tax credit is available for health practitioners in certain rural areas of Oregon. The credit is based on eligibility requirements determined by the Office of Rural Health.

Who can claim the credit?

Physicians, dentists, podiatrists, optometrists, physician assistants, certified registered nurse anesthetists, and nurse practitioners can qualify for the credit. You must have a rural practice in Oregon that amounts to 60 percent or more of your business.

S corporations and partnerships do not qualify for the credit. However, shareholders and partners can get the credit on their individual Oregon income tax returns if they meet the eligibility requirements.

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.

How much is the credit?

The credit is the least of $5,000, the amount certified by Rural Health, or your tax liability for the year. You can claim the credit as long as you have a qualifying practice. There is no carryforward of unused tax credits.

How to claim the credit

You must apply to the Office of Rural Health **each year** for confirmation of eligibility. Visit their website at www.ohsu.edu/oregonruralhealth for more information. Contact Rural Health in Portland at 503-494-4450 to request an application. Keep a copy of the confirmation letter with your tax records for each year you claim the credit.

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Credits

TRICARE provider

ORS 315.628 and ORS 315.631

[Credit care 746]

Physicians, nurse practitioners, and physician assistants who provide medical care to patients enrolled in the TRICARE military health care system may be eligible for a one-time credit of $2,500 and subsequent credits of $1,000 each year.

Who can claim the credit?

Health care providers who enter into a contract for the first time on or after January 1, 2007, may qualify for the $2,500 credit. The provider must administer health care services permitted under a TRICARE contract to eligible patients. They must provide care to a minimum of at least 10 patients enrolled in the military health care system. Health care providers in frontier counties may qualify with fewer than 10 patients.

You can't claim this credit if you claim the subtraction for TRICARE payments.

Part-year residents and nonresidents. Your allowable credit must be prorated by your Oregon percentage.

How much is the credit?

The credit in the first year of eligibility is $2,500. Thereafter the credit is $1,000 per tax year. The credit is nonrefundable and may not exceed your tax liability for the year. There is no carry forward of unused credits.

How to claim the credit

The Office of Rural Health will notify eligible providers by postal letter. Letters will be mailed by February 28, 2010. Visit their website at www.ohsu.edu/oregonruralhealth to read more. Keep a copy of the letter of eligibility with your tax records for each year you claim the credit.

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Credits

University venture development fund contributions

ORS 315.521

[Credit code 739]

A tax credit is available for contributions to Oregon university venture development funds.

Who can claim the credit?

Any taxpayer who makes a qualifying charitable donation to an Oregon university venture development fund is eligible for the credit. If you also claimed the contribution as an itemized deduction, you must add the amount back into your income before you can claim an Oregon tax credit.

S corporations and partnerships may claim a credit for their donations.

Part-year residents and nonresidents. Your allowable credit must be prorated by your Oregon percentage.

How much is the credit?

The taxpayer's credit is 60 percent of the amount stated on the tax credit certificate.
The amount allowed for 2009 is the least of:

- 20 percent of the amount actually contributed to the fund,
- $50,000, or
- The tax liability of the taxpayer.

How to claim the credit

The university that established the fund will issue a tax credit certificate to you. Keep this certificate with your tax records.

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Credits

Water transit vessel manufacturer

ORS 315.517

[Credit code 740]

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 after December 31, 2012.

Who can claim the credit?

Any manufacturer of water transit vessels in Oregon may be eligible for the credit. 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.

Don’t 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 claim 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.

How much is the credit?

The credit for the tax year is the lesser of:

- $5,000;
- 15 percent 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.

How to claim the credit

No certification is required to be submitted with your return to claim this credit. A worksheet detailing how you computed your credit and the qualifying wages must be kept with your tax records for each year that you claim the credit.

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Credits

Working Family Child Care (WFC)

ORS 315.262

This refundable credit is available to low-income working families with qualifying child care expenses. To qualify, all of the following must be true:

- You have at least $7,850 of earned income from Oregon sources, and
- You have $3,150 or less of investment income (such as interest, dividends, and capital gains), and
- Your adjusted gross income is less than the limits for your household size shown on the WFC tables, and
- You paid qualifying child care expenses so you (and your spouse/RDP, if married filing jointly) could work or attend school at least part time or you are exempt from this requirement due to a qualifying disability, and
- You paid qualifying child care expenses for your qualifying child. A qualifying child is your child, step child, grandchild, step grandchild, brother, sister, stepbrother, stepsister, nephew, niece, step nephew, step niece, eligible foster child, or adopted child who:
  - lived with you for more than half the year, and
  - was under the age of 13, or
  - was a child you can claim the additional child with a disability exemption credit, and
  - your child care provider was not the child’s parent or guardian, or your relative or step relative under age 19.

Sometimes a child may be the qualifying child of more than one person. Although the child is the qualifying child of each of these persons, only one of them can actually treat the child as their qualifying child for WFC.

Note: If you are married/RDP filing separately, you must be legally separated or permanently living apart on December 31, 2009, to qualify.

If you qualify, you must complete one of the following:

- **Full-year resident:** Schedule WFC, Oregon Working Family Child Care Credit for Form 40 and Form 40S filers, or
- **Part-year resident or nonresident:** Schedule WFC-N/P, *Oregon Working Family Child Care Credit for Form 40N and Form 40P filers.*

Complete all information on the schedule. Failing to include a schedule or including an incomplete schedule may result in delay or denial of your working family child care credit.

To download the schedule, go to our website, or call us to order a copy.

Qualified disabled for WFC. Do you or your spouse have a disability that severely restricts or prevents you or your spouse’s ability to perform an activity of daily living (bathing, dressing, feeding, toileting, transporting, etc.)? Does the disability also prevent you or your spouse from working, going to school, **and** caring for your children? If you answered yes to both questions, you may qualify for the working family child care credit (WFC). Only one spouse can qualify for the exception. The other spouse must still work or attend school at least part time. The qualifications are not the same as the severely disabled exemption credit.

To claim the exception, the disabled taxpayer and their physician need to fill out Form WFC-DP stating that you or your spouse has a qualifying disability. Go to our website or contact us to get Form WFC-DP. This form will need to be completed and included each year that your spouse meets the exception. Once Form WFC-DP is filled out, check the box “Form WFC-DP is included” on Schedule WFC next to you or your spouse’s name. Remember to include Form WFC-DP and keep a copy of the form with your tax records and with your doctor.

Example 1: Jenny and Ed are married and have three children. Jenny works full time and Ed does not work or attend school and is receiving disability for headaches. Ed does not need assistance with any of the activities of daily living. Ed's disability does not qualify for the exception. Jenny and Ed cannot claim this credit for their child care expenses.

Example 2: David and Sue are married and have two children. David works full time. Sue is unable to work because she has a brain tumor. Sue has a home care worker come to their home daily because she is unable to care for herself while David is away at work. David and Sue pay $750 a month for child care and $800 for care for Sue. Sue and her doctor completed Form WFC-DP showing that Sue has a qualifying disability. David and Sue can claim this credit for the $750 a month they paid for child care. The amount paid for Sue's care does not qualify for this credit.

Household size calculation. Household size is the number of people you claim as exemptions on your federal tax return who are related to you by blood, marriage/RDP, or adoption and live in your home. Your household size can include your child of whom you have primary custody, even if you allowed the child's other parent to claim the exemption on his or her tax return. You cannot include people you're entitled to claim on your tax return who did not live with you in your home during 2009. For this credit, an individual cannot be counted in household size on more than one return. If you are in an RDP, remember to use your "as-if" federal tax return to compute your household size.

Example 3: Rusty and Deb are not married and are the parents of two children. They maintain separate households and have joint custody of both children. The children live more than half the year with Deb. Even though they're Deb's qualifying children, she releases the dependent exemption for one child to Rusty. Deb's household size is three (herself, one dependent child whose exemption she claims, and one dependent child whose exemption is released to Rusty). Rusty cannot claim the WFC because neither of the children lived with him for more than half the year.

Example 4: Jay and Rena have three qualifying children. They also support Rena's parents who live in Mexico. They claim seven exemptions on their tax return. Jay and Rena's household size is five, because only five of them live in their home.

Qualifying child care expenses paid in 2009

Qualifying child care expenses are paid primarily so you (and your spouse/RDP) can work or attend school. You can pay your expenses with pre-tax dollars from an employer benefit plan such as a cafeteria plan or flexible spending arrangement and still qualify to claim this credit. You must pay for the child care during 2009 for the payments to be qualifying child care expenses.

Qualifying child care expenses don't include costs for your child to attend a public or private school or activities such as gymnastics or soccer. You can't claim expenses that are paid by someone else such as a state assistance agency. You can claim only the expenses you actually paid.

Proof of qualifying child care expenses. You must be able to prove you paid the child care expenses to claim this credit. Acceptable proof includes, but is not limited to, copies of:

- Cancelled checks,
- Money order stubs,
- Duplicate checks along with bank statements, and
- Specific receipts from the child care provider.

The department could ask for proof at any time while processing your tax return or any time later. If you pay a friend or relative to watch your children, you may be asked to prove you actually paid qualifying child care expenses. **Be sure to ask for a signed receipt from your child care provider when you pay for care.**

If you exchange services or goods instead of paying for the child care with cash:

- You must claim the income (the value of the child care) on your tax return before you are eligible for this credit.
- The child care provider must also claim the income (the value of the goods or services they received from you).

If you are paying a friend or relative to care for your children, you may be required to provide third-party proof that you paid for the care. Third-party proof is proof from someone not directly involved in the transaction. Common forms of third-party proof include:

- Copies of cancelled checks;
- Money order stubs.

A receipt from your friend or relative does not constitute proof.

Example 5: Michelle and George are married and have two children. Michelle and George both work full time. Michelle's mother, Carol, lives with them. Michelle and George pay Carol $500 a month in cash to watch their children while they work. Michelle and George do not have proof that they paid Carol and Carol is not paying rent to live at their home. Because the payments were made in cash to a relative and there is no proof of payment, Michelle and George cannot claim this credit.

Example 6: Amanda has two children and works full time. Amanda's mother, Tammy, lives in the same town and watches her grandchildren while Amanda works. She does not take care of any other children. Amanda pays Tammy $400 a month in cash. Amanda does not have further proof other than the receipts written by Tammy that she received $400 in cash at the beginning of each month. Tammy does not report this income on her tax return. Amanda cannot claim this credit because she has no proof of payment.

Example 7: Jason and Sarah are married and have two children. Jason and Sarah both work full time. Jason's mother, Cheryl, lives nearby and watches their children. Cheryl also takes care of other children in her home. Jason and Sarah pay Cheryl $750 a month by check and receive receipts from Cheryl at the time of payment. Cheryl claims all child care income on her tax return. Jason and Sarah can claim this credit because they have proof of payment to their relative.

Example 8: Candice and Doug are married and have a child. Candice works full time and Doug is in prison. Candice pays a daycare center $400 a month to watch her child. Candice and Doug cannot claim the credit because Doug is not working or going to school and does not have a qualifying disability.

Example 9: Jeff works for a company that offers dependent care benefits through a plan administrator. He takes advantage of this employer benefit and contributes $4,000 pre-tax each year to a flexible spending account (FSA) plan. Jeff gives the plan administrator the necessary documents so he can be reimbursed for his child care expenses. His employer reports $4,000 of dependent care benefits in box 10 of his W-2. Jeff has $5,000 total in child care expenses for his two qualifying children. He paid $1,000 with after-tax dollars, and he was reimbursed $4,000 from his pre-tax FSA. Jeff may claim the working family child care credit based on $5,000 in qualifying child care expenses.

Example 10: Lee has a five-year-old qualifying child who attends a local academy. He pays $750 per month for his son's kindergarten and child care. Of that he pays $500 for child care and $250 for his child's education. Lee can only claim $500 per month as qualifying child care.

Example 11: Cate qualifies for state assistance in paying her child care expenses. The child care provider charges $600 per month to care for her two children. Of that, the state pays $450 and Cate has a co-pay of $150. Cate cannot claim the entire monthly amount because she did not pay it. She can only claim the amount she actually paid, $150 per month.

Qualifying child information. You must provide the following information of each qualifying child: full name, Social Security number, date of birth, his or her relationship to you, and the portion of the qualifying expenses that apply to each.

Example 12: Leona is a resident of Washington. She works in Washington and Oregon. Her federal adjusted gross income on Form 40N, line 30a is $27,100. Leona earned $8,300 from her Oregon employment and the balance from her Washington employment. She paid $4,440 to her child care provider to care for her qualifying child Jesse, age 8. Leona can claim this credit because she has at least $7,850 of earned income from Oregon sources.

Example 13: Max is a resident of Washington. He works in Washington, Idaho, and Oregon. His federal adjusted gross income on Form 40N, line 30a is $19,900. Jack earned $5,200 from his Oregon employment and the balance from his Washington and Idaho employment. He paid $3,880 to three child care providers to care for his two qualifying children. Jack cannot claim this credit because he has less than $7,850 of earned income from Oregon sources.

Computation of credit. You must have already determined your federal adjusted gross income (AGI) to claim this credit. You'll need a copy of your federal tax return to complete your Schedule WFC, which has the worksheet and tables needed to compute your WFC credit.

A blank copy of Schedule WFC is provided in your 2009 Oregon instruction booklet. To download a copy of Schedule WFC go to our website or call us to order it. Schedule WFC must be included and filed with your Oregon tax return.

Schedule WFC Relationship Codes

Grandchild	GC	Son	S
Daughter	D		
Sister-in-law	SL	Uncle	U
Cousin	CS	Stepson	SS
Nephew	NW	Aunt	A
Brother-in-law	BL	Stepdaughter	SD
Niece	NC	Brother	SB
Eligible foster child	EF	Sister	SB
Other	O	None	N

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