

TY 2025 OREGON NONRESIDENT INSTRUCTIONS

INCOME – Rev 1.10.2026

OREGON INCOME TAX REFUND

Oregon does not tax federally taxable refunds of its own state income tax. **Do not** include in Oregon income Oregon income tax refunds included as taxable income on the 1040. However, see SUBTRACTIONS if federally taxable Oregon income tax refund is on the federal return.

Oregon does tax other states' federally taxable income tax refunds if you deducted those taxes on a prior's Oregon income tax return (uncommon for our taxpayers) (not common for our taxpayers). This refund is not taxable to Oregon if you did not deduct the taxes paid on an Oregon return. Enter amount to include in Oregon income:

- Oregon return > Income Subject to Tax > Oregon portion of State & Local Income Tax Refund (DO NOT include federally taxable Oregon Income Tax Refunds).

INCORRECTLY REPORTED OREGON WAGES ON W-2 Cheat Sheet Available

For Non-Residents, Oregon taxes wages earned in Oregon. They do not tax wages earned in other states. State wages are reported in box 16 on the W-2. There are special rules for telecommuters (those that work for an Oregon employer but do not perform some or all of their work in Oregon) and for interstate air carrier workers, dam workers, Amtrack workers (includes some truckers) and waterway workers who meet special rules. See the applicable sections below for more information.

All Oregon wages reported in box 16 on the W2 automatically flow from data entered in the federal section of Taxslayer to the OR-40N in both the federal & OR columns.

Occasionally, the wages reported in box 16 of the W-2 are incorrect.

- a) Taxpayer should try to get a corrected W-2 from the employer which is used to prepare or amend the return.
- b) If Taxpayer can't get a corrected W-2:
 1. Employer should provide other written documentation of corrected wages. Enter the corrected information and e-file the return. Taxpayer keeps a copy of the documentation in case needed later.
 2. Employer refuses company out of business, etc. Figure correct amount of Oregon wages using OR Pub 17 or the Wage Adjustment Cheat Sheet.

Using the data entry path below, enter the amount to adjust Oregon wages. Ensure that the TP understands & agrees with the calculations. Give the TP the calculation paperwork for his records in case needed later. Make a note in TSO how calculations were done.

c) **NON RESIDENT TELECOMMUTERS (Cheat Sheet Available)**

Non-Residents who work for an Oregon employer are only taxed on income earned from work performed in Oregon. For example, a taxpayer who lives in Washington and works for an Oregon employer but works from home either full time or part time will not be taxed on wages earned while working from home in Washington state. Commonly the employer will report all earned wages as Oregon income on the W2 box 16 and an adjustment will be required. The taxpayer is required to have a signed statement from their employer verifying the number of days worked in Oregon and the total number worked elsewhere. This record is not filed with the tax return but should be kept with the taxpayer's records in case requested by the Oregon Department of Revenue.

Oregon wages entered from the W-2, Box 16 flow automatically to the 40N Oregon column in the income section, line 7. If these are incorrect, an adjustment entry is required to correctly reflect the wages earned while physically working in Oregon. See the Cheat Sheet to calculate the correct taxable Oregon wages and adjustment entry required. Once calculated, enter the amount to adjust the Oregon wages using the following data entry path:

- Oregon return > Income Subject to Tax > Amount to adjust state wages pulled from the federal return > enter \$

Be sure to enter the adjustment amount and not the wages taxable to Oregon. Confirm the correct taxable Oregon wages appear in the Oregon column on line 7.

d) **SPECIAL JOBS NOT TAXABLE TO OREGON**

There are 4 special types of jobs that are not taxable to Oregon IF the taxpayer meets certain criteria. Some employers already exclude the wages if the taxpayer meets the criteria so box 16 on the W-2 may be correctly stated and the correct amounts have flowed automatically to the Oregon column. The Counselor should still confirm that the taxpayer meets the criteria. If not, the wages are taxable to Oregon, even if the employer did not report them in box 16 and an adjusting entry is required.

i) INTERSTATE AIR CARRIER WORKERS

For eligible Non-Residents, wages from interstate air carrier jobs aren't considered Oregon source income and aren't taxed by Oregon. See Oregon Pub 17 page 47 for the eligibility requirements. If the taxpayer qualifies and the wages were reported as Oregon wages in box 16 on the W-2, then do this 2-step process:

- Oregon Return > Basic Information > Special Processing> Drop-down list > mark AIR CARRIER WORKER
- Oregon Return > Income Subject to Tax > Amount to adjust state wages pulled from the federal return > Enter the amount from the W-2, Box 16 (State wages).

Review the OR-N to ensure the wages have been excluded from the Oregon column, line 7. The box "Employment Exclusion" should be checked on the top of page 1 on the OR-N.

ii) HYDROELECTRIC DAM WORKERS (Bonneville, McNary, John Day, & the Dalles dams only).

For eligible Non-Residents, wages from dam workers on the 4 dams above aren't considered Oregon source income and aren't taxed by Oregon. See Oregon Pub 17 page 49 for the eligibility requirements. If the taxpayer qualifies and the wages were reported as Oregon wages in box 16 on the W-2, then do this 2-step process:

- Oregon Return > Basic Information > Special Processing> Drop-down list > mark DAM WORKER
- Oregon Return > Income Subject to Tax > Amount to adjust state wages pulled from the federal return > Enter the amount from the W-2, Box 16 (State wages).

Review the OR-N to ensure the wages have been excluded from the Oregon column, line 7. The box "Employment Exclusion" should be checked on the top of page 1 on the OR-N.

iii) INTERSTATE TRUCKERS (AMTRAK ACT)

Oregon wages automatically flow from W-2 state entries to the 40N. For eligible NR's, wages from interstate Amtrak Act jobs aren't considered OR

source income and aren't taxed by OR. Before excluding wages from OR income, check the exclusion eligibility requirements in OR Pub 17. Everyone driving a truck does not qualify and the rules are complex. Then do this 2-step process:

- Oregon Return > Basic Information > Special Processing> Drop-down list > mark AMTRAK WORKER
- Oregon Return > Income Subject to Tax > Amount to adjust state wages pulled from the federal return > Enter the amount from the W-2, Box 16 (State wages).

Review the OR-N to ensure the wages have been excluded from the Oregon column, line 7. The box "Employment Exclusion" should be checked on the top of page 1 on the OR-N.

iv) **WATERWAY WORKERS** (Columbia & Snake rivers only). Oregon wages automatically flow from W-2 state entries to the 40N. For eligible NR's, wages from interstate waterway jobs aren't considered OR source income and aren't taxed by OR. Before excluding wages from OR income, check the exclusion eligibility requirements in OR Pub 17. Then do this 2-step process:

- Oregon Return > Basic Information > Special Processing> Drop-down list > mark WATERWAY WORKER
- Oregon Return > Income Subject to Tax > Amount to adjust state wages pulled from the federal return > Enter the amount from the W-2, Box 16 (State wages).

Review the OR-N to ensure the wages have been excluded from the Oregon column, line 7. The box "Employment Exclusion" should be checked on the top of page 1 on the OR-N.

SELF-EMPLOYMENT/BUSINESS INCOME Cheat sheet available

(Also see S/E TAX ADJUSTMENT, later).

Net self-employment/business income is taxable to Oregon to the extent that it is from Oregon sources.

1. From TP's records, determine the amount of gross business income and how much of the business expense claimed on Sch C are from Oregon business activities.

2. Subtract the Oregon business expense from the Oregon gross business income to calculate the net Oregon business income.

If the taxpayer doesn't know how much business expense is attributable to Oregon business activity, calculate the ratio of Oregon source gross business income to total gross business income. Apply that percentage to the total business expense claimed on Sch. C to give you the Oregon portion of total business expense.

Enter the Oregon net business income as follows:

- Oregon Return > Income Subject to Tax > Oregon portion of Business Income or Loss

INTEREST FROM US SAVINGS BONDS/TREASURY OBLIGATIONS

Federally taxable interest from US Savings Bonds and T-Bills is not Oregon source income and not taxable to Oregon. Do not include in Oregon income. TaxSlayer automatically subtracts the amount entered in Box 3 of the 1099-INT on the 1040, Code 315. No other entry is needed in either the federal section or the Oregon section.

OTHER INTEREST AND DIVIDENDS

No other federally taxable interest or dividend income is taxable to Oregon *unless* sourced from an Oregon business owned by the TP, or passed through from an S-corp. or partnership doing business in Oregon. In that case, include in Oregon taxable income as follows (very rare for our taxpayers):

- Oregon Return > Income Subject to Tax > Oregon portion of Taxable Interest/Dividend Income

RETIREMENT INCOME INCLUDING SOCIAL SECURITY

1) **NON-FEDERAL PENSIONS:** Pensions are not taxed by Oregon for non-residents even if they are from an Oregon company or were accumulated while the taxpayer lived or worked in Oregon. Do not include them in Oregon Income.

2) **FEDERAL PENSION INCOME:** The rules are the same as listed above for federal pensions (which includes military pensions). Federal pensions are not taxable to Oregon for Non-Residents. However, if the taxpayer had service prior to October 1, 1991, some or all of their pension may need to be subtracted in the federal column. See FEDERAL PENSION SUBTRACTION [Code 307].

2) **SOCIAL SECURITY INCOME**: Federally taxed social security income is not taxable to Oregon (Residents or Non-Residents). Do not enter in Oregon income. A subtraction in the federal column is required which Taxslayer handles automatically and shows on line 32 of the OR-N.

3) **RAILROAD RETIREMENT INCOME**: Federally taxed railroad retirement income, Tier 1 and Tier 2, is not considered Oregon source income and both are not taxed by Oregon. Do not include them in Oregon income. However, federally taxable amounts of Tier 1 and Tier 2 benefits are subtracted from the federal column on the Oregon return.

a) **TIER 1 (RRB-1099: Social Security equivalent)**: Subtraction automatically handled and will show on line 32 of the OR-N as part of Social Security.

b) **TIER 2 (RRB-1099R: regular pension)**: If federally taxable, subtract from federal income column. See SUBTRACTIONS [Code 330].

4) **IRA DISTRIBUTIONS**: Federally taxable IRA distributions and not considered Oregon source income and are not taxable to Oregon for Non-Residents even if the IRA was made while the taxpayer lived in Oregon. Do not include in the Oregon column.

CAPITAL GAINS/LOSSES & THE SALE OF OREGON PROPERTY

Given the sale of capital asset scope for Taxaide, the sale of Oregon property and other Oregon capital gains is extremely unlikely to apply.

For information: Capital gains are not taxable to Oregon Non-Residents (and losses deductible) unless the property is Oregon property. Same rules for taxation as on the 1040. Oregon conforms to the federal exclusion of capital gain on the sale of a primary residence. Loss on the sale of a primary residence is not allowed on the federal or the Oregon return.

Enter capital gains/losses from Oregon property (excluding sale of primary residence) as follows:

- Oregon return > Income Subject to Tax > Enter the OR portion of Capital Gain or Loss.

Oregon income tax withheld from proceeds of the sale of taxpayer's home is considered estimated tax paid. Enter as follows, if applicable:

- Federal Return > Payments & Estimates > State Estimated Payments > Enter the amount of state withholding in the date field when the payment was withheld > Choose State > Oregon.

UNEMPLOYMENT INCOME: Oregon taxes Non-Residents on Oregon sourced unemployment income only. Unemployment from other states is not taxed. Oregon unemployment does not automatically flow from the 1040 to the OR-N and must be entered as follows:

- Oregon Return > Income Subject to Tax > Unemployment and Other Income > Enter Oregon unemployment income.

GAMBLING WINNINGS INCLUDING OREGON LOTTERY

Oregon does not tax Non-Residents on gambling winnings (including all Tribal Casino winnings) of any kind except for Oregon lottery winnings of more than \$600 on an individual ticket or play. However, all Oregon lottery winnings of any amount must be included in Oregon income. A subtraction is then required for any Oregon lottery winnings of \$600 or less on a single ticket or play as these are not taxable to Oregon. See SUBTRACTIONS [Code 322].

Enter ALL Oregon Lottery winnings as follows:

- Oregon Return > Income Subject to Tax > Oregon Unemployment and Other Income > Total of all Oregon Lottery Winnings.

NOTE: If the taxpayer itemizes deductions for Oregon and claims gambling losses as a deduction on Sch. A, an addition of claimed gambling losses greater than the gambling winnings taxable to Oregon may be needed. See MODIFICATIONS [Code 604]

ALIMONY

Taxable alimony on the federal return is not taxable to Oregon for Non-Residents. Do not include in Oregon source income.

OREGON PAID LEAVE (SEE OREGON PAID LEAVE DOCUMENT)

1) All Oregon Paid Leave payments for Family or Safe Leave are fully taxable on the federal return and are also taxable to Oregon. Include in Oregon income. Enter the same amount reported on the federal return as follows:

- Oregon Return>Income Subject to tax>Oregon Portion of Unemployment and Other Income

2) Oregon Paid Leave payments for Medical leave are taxable on both the federal and Oregon return based on the ratio of employer contributions to the total contributions made by the employer and employee. See the Oregon Paid Leave document for the

calculation on the taxable amount to be reported on the federal return. Enter that same amount on the Oregon return as follows:

- Oregon Return>Income Subject to tax>Oregon Portion of Unemployment and Other Income

WASHINGTON PAID LEAVE

Non-Residents are not taxed by Oregon for taxable paid leave from Washington (or any other state) reported on the taxpayer's federal return.

OTHER INCOME:

"Other" income, for example income reported on a 1099-Misc or reported income with no form, is taxable to Oregon only if earned in Oregon. Otherwise, any federal taxable amounts are not taxable to Oregon. For any taxable amounts earned in Oregon, enter as follows:

- Oregon Return>Income Subject to Tax>Oregon Unemployment and Other Income

SCHOLARSHIP AWARDS USED FOR HOUSING EXPENSES:

Automatically flows to the 40N line 1 from W-2, Box 16, if Oregon source; however, this income is not taxable to Oregon and a subtraction is required. See SUBTRACTIONS [Code 333]

AMERICAN INDIAN:

Not taxable to Oregon non-resident if taxpayer is an enrolled tribal member, lived in Indian country when income earned, and income is sourced in Indian country. See SUBTRACTIONS [Code 300].

ADJUSTMENTS

Enter ALL income before entering Oregon adjustments. **If any item in the federal or Oregon income changes, revisit the Oregon adjustments to see if any Oregon entry needs to be recalculated.**

NONRESIDENT ADJUSTMENTS CHEAT SHEET SUMMARY PAGE AVAILABLE

Oregon allows an adjustment from Oregon income for most adjustments taken on the federal return. However, for most adjustments, the amount of the adjustment is based on a ratio of Oregon to Federal data. The numerator and denominator of the ratio vary depending upon the adjustment so be sure to check which data is required for the specific adjustment. **Do not use** the Oregon percentage from line 35 on the OR-N to calculate the % of the adjustment allowed on the Oregon return.

ALIMONY PAID

Non-residents are allowed a deduction on their Oregon return for Alimony paid and taken as an adjustment on their federal return. Calculate the allowable Oregon non-resident alimony deduction using the formula below. The numerator is the amount from the 40N, line 20S. The denominator is the amount from the 40N, line 20F.

$$\frac{\text{OR source income while a NR}}{\text{Total Income while a NR}} \times \text{Alimony paid while an NR} = \text{OR NR deduction}$$

- Oregon Return > Adjustments to Income Subject to Tax > Oregon portion of Alimony Paid > Enter Oregon Non-resident deduction

EDUCATION DEDUCTIONS (STUDENT LOAN INTEREST AND EDUCATOR EXPENSES)

Note: The student loan interest and educator expenses adjustments are entered in the same field in Taxslayer.

1) STUDENT LOAN INTEREST

Oregon adjustment cannot exceed the federal allowable adjustment deduction. Calculate the Oregon allowable student loan interest deduction for a non-resident using the formula below. The numerator is the amount on the 40N, line 20S. The denominator is the amount on the 40N, line 20F.

$$\frac{\text{OR source income while a NR}}{\text{Total Income while a NR}} \times \text{Student Loan interest Paid while a NR} = \text{Non-Resident deduction}$$

2) **EDUCATOR EXPENSES**

Oregon conforms to the federal tax law as to eligibility to take this adjustment and up to \$300 maximum deduction for qualified expenses per educator taxpayer. However, only educator expenses incurred while working in an eligible Oregon school are allowed to be taken on the 40N as an Oregon adjustment. No ratio is applied.

NOTE: If taxpayer has both student loan interest AND educator expenses, add them together first. Then enter data:

- Oregon Return > Adjustments to Income Subject to Tax > OR portion of Education Deductions > Enter the sum of student loan interest + educator expenses

HEALTH SAVINGS ACCT (HSA): [Code 003]

The federal HSA deduction flows to line 27 on the OR-N. The Oregon allowable deduction will flow to ASC-NP Code 003 and will combine with any other ASC adjustments and flow to the Oregon column on line 27.

Calculate the allowable Oregon Non-Resident HSA deduction using the formula below. The numerator is the amount on the 40N, line 20S. The denominator is amount on the 40N, line 20F.

$$\frac{\text{Oregon source income while a Non-Resident}}{\text{Total income while a Non-Resident}} \times \text{HSA contribution made while a Non-Resident} = \text{Oregon HSA adjustment}$$

- Oregon Return > Adjustments to Income Subject to Tax > Oregon portion of HSA Deduction > Enter Oregon HSA deduction

SELF-EMPLOYMENT HEALTH INSURANCE PREMIUMS

The deduction can only be taken on the 40N for health insurance premiums paid by an Oregon business. The deduction is limited to earned income from the trade or business for which the plan was established. If eligible for the Oregon SEHI adjustment, a deduction of 100% of the total premiums paid by an Oregon business from which Oregon S/E income was received while a non-resident is allowed.

- Oregon Return > Adjustments to Income Subject to Tax > OR portion of S/E Health Insurance Premiums.

IRA CONTRIBUTIONS

Oregon conforms to the same contribution limitations and definitions for earned income as federal tax law. Note that the formula uses EARNED income, not ALL income!

****Taxable alimony received is considered earned income!**

Calculate the allowable Oregon non-resident IRA contributions deduction using the formula below:

$$\frac{\text{Oregon source taxable *earned* income while a NR}}{\text{Total taxable earned income while a NR}} \times \text{IRA contribution made while Non Resident} =$$

Oregon IRA deduction

- Oregon Return > Adjustments to Income Subject to Tax > Oregon portion of IRA Deduction > Enter the Oregon Non-resident deduction

PENALTY FOR EARLY WITHDRAWAL OF SAVING [Code 004]

Deductible only for accounts paying interest taxable to Oregon (not common)

- Oregon return>Adjustments to Income Subject to Tax> Enter the Oregon portion of penalty for early withdrawal from savings.

SELF EMPLOYMENT TAX

Oregon allows a deduction for self-employment tax taken as an adjustment on the federal return IF you have Oregon taxable self-employment income. Calculate the allowable Oregon Non-Resident self-employment tax deduction using the formula below:

$$\frac{\text{S/E earnings **taxed** by OR}}{\text{Total **taxable** SE earnings}} \times \text{Federal S/E tax deduction} = \text{Oregon S/E tax Deduction}$$

- Oregon Return > Adjustments to Income Subject to Tax > Oregon portion of S/E tax deduction > Enter Oregon Non-Resident deduction

SUBTRACTIONS

If not listed individually on their own lines on the 40N, subtractions flow to Sch. OR-ASC-NP, section C, then to the 40N, line 33, "Total Subtractions from Sch. OR-ASC-NP"

OREGON INCOME TAX REFUND [Code 325]

Oregon doesn't tax its own state income tax refunds. Do not include any federally taxable Oregon state income tax refunds in the Oregon column as Oregon sourced income. However, **IF** there is a taxable Oregon income tax refund on the federal return, a subtraction is needed in the **federal column only**.

- Oregon Return > Subtractions from Income > Other Subtractions > Oregon Income Tax Refund.

FEDERAL PENSION INCOME SUBTRACTION [Code 307]

Subtraction allowed **ONLY** if some or all federal service was before 10/1/1991 AND the distribution is not a disability pension (F. 1099-R, Box 7, Code 3). Eligible distributions include military, civil service (paid on CSA-1099) and Thrift Savings Plans.

The percentage of taxable distribution to exclude is the ratio of months of federal service before 10/1/1991 to total months of federal service. The percentage stays the same for as long as distributions continue, including distributions to subsequent beneficiaries.

If the % is available from a prior year return, use that %. If the % is not available, you have two options on how to calculate the subtraction.

- (1) Use Oregon Federal Pension Subtraction Calculator (<https://ortaxvolunteers.org/tools>) to calculate the amount of the federal pension subtraction. You will need the start date of the federal employment and the end date of the federal employment and the taxable pension from box 2a 1099-R. Follow the instructions and click "calculate." Note the dollar amount of the calculated exclusion to be entered in TaxSlayer. Note the % of the taxable distribution that is to be excluded and add a note into Taxslayer with the % and the federal employment start and end dates used in the calculation.

Because none of the federal pension is taxable to non-residents, there is no federal pension entry in the Oregon income column on the 40N. Therefore, there is no pension to subtract from Oregon income. (Hokey pokey theory). However, since the federal pension is included in the federal column, a subtraction is required in the **federal column**. Enter the calculated federal exclusion **in the federal column** as follows:

- Oregon Return > Subtractions from Income Subject to Tax > Federal Pension Subtraction > Federal box entry only

******(Only needed if <https://ortaxvolunteers.org/tools> is used rather than the Taxslayer Federal Pension Worksheet.)

- (2) Use the functionality in Taxslayer to calculate the subtraction. Taxslayer functionality does work properly if the years of federal service are not broken up. Once the federal employment dates are entered, the system will calculate the subtraction and automatically populate the Oregon return. Do not enter anything other than the federal employment dates.

If Taxslayer Federal Pension Subtraction Worksheet is used, Taxslayer puts the correct subtraction amount in the federal column. No need to do the manual subtraction.

RAILROAD RETIREMENT BOARD BENEFITS TIER 2 [Code 330]

Not considered Oregon source income, is not taxable to Oregon and federally taxable income should not appear in the Oregon income column. However, the federally taxable amount is included in the federal column of the OR-40-N so a subtraction is required in the federal column only. The subtraction for Non-Residents is **not** automatic in Taxslayer. Enter the subtraction as follows:

- Oregon Return > Subtractions from Income > Other Subtractions > RR Retirement Board Benefits.
In the Federal box only, enter the federally taxable amount of Tier 2 benefits.

SCHOLARSHIP AWARDS USED FOR HOUSING EXPENSES [Code 333]

Oregon allows a subtraction for federally taxable scholarships used for housing expenses included on the 1040 as wages and automatically flow to the 40N, income section, line 7. Here's the data entry path:

- Oregon Return > Subtractions from Income > Other Subtractions > Scholarship awards used for housing expenses > Enter the federally taxable amount of these awards in the Federal box only; however, if also included in OR income, enter the amount taxable to OR in the Oregon box.

SPECIAL OREGON MEDICAL SUBTRACTION (SOMS) [Code 351] Cheat Sheet Available

Oregon allows a subtraction of up to \$1800 per taxpayer age 66 or older as of 12/31/**25** for unreimbursed qualified medical expenses for which no tax benefit has been taken on the Oregon return. The definition of qualified medical expenses is the same as for Sch A on the federal return. Dependents of any age are NOT eligible for SOMS. The

exact amount of the credit is based on the amount of QMEs, the taxpayer's AGI and filing status. Taxpayers with AGI >\$100K (single, MFS) or \$200K (MFJ/HoH) are not eligible for the subtraction. Taxslayer will calculate the allowable subtraction but the qualified medical expenses for the eligible taxpayer and spouse must be manually entered into Taxslayer. Taxslayer does not automatically flow over medical expenses entered on federal Schedule A to the SOMS calculation.

Step 1: Total each eligible taxpayer's unreimbursed QMEs including those that have been deducted elsewhere on the return (example taken as an itemized deduction on schedule A). Reduce this amount for any expenses used for the SEHI deduction for self-employment taxpayers. For SOMS, don't forget about **Medicare premiums (frequently overlooked)**. These are eligible SOMS QMEs.

Step 2: Enter the QMEs. Taxslayer will calculate the eligible subtraction taking into account any amounts used for itemized deductions taken on the Oregon return.

- Oregon Return > Subtractions from Income > SOMS > Qualified medical expenses. Enter the total QMEs from Step 1 into the appropriate box for each eligible taxpayer.

The result will flow to Sch. OR-ASC-NP, Section C, Subtractions, with code 351, and on the 40N, line 33, in both the federal and the Oregon columns, under "Total Subtractions from Sch. OR-ASC-NP, line C7". A SOMS calculation worksheet appears at the end of the OR-40-N return.

INTEREST/ DIVIDENDS FROM US SAVINGS BONDS/TREASURY OBLIGATIONS

[Code 315]

Not Oregon source income. Not taxable to Oregon. Do not enter as Oregon income (ie., should not be entered in the Oregon income column). However, to mirror how this interest is handled on the Resident Oregon returns, a subtraction from federal income is needed on the 40N, Sch. OR-ASC-NP, Subtractions. TaxSlayer automatically handles when this type of interest is entered in federal income from Box 3 on the 1099-INT. Note: no entry is required in the federal section beyond just entering box 3 on the 1099-Int. This is different from what is required for the Resident Oregon.

AMERICAN INDIAN [Code 300]

Since one of the requirements is the taxpayer must live in federally recognized Indian country in Oregon, this subtraction is not likely to apply to a Non-Resident. See pub 17 for all of the requirements.

If TP meets all qualifications,

- Oregon Return > Subtractions from Income > Tribal Exempt Income Subtraction Sch. OR-EIS. Answer all questions in both the Tribal Information and the Exempt Income sections for each TP claiming OR exemption from income tax for qualified earnings

OREGON LOTTERY WINNINGS [Code 322]

Oregon Lottery winnings of \$600 or less on a single ticket or play aren't taxable to Oregon. However, since Oregon requires ALL Oregon Lottery winnings to be included in Oregon source income for a Non-Resident, a subtraction for the total of all Oregon lottery winnings of \$600 or less on a single ticket or play is required.

- Oregon Return > Subtractions from Income > Other subtractions > Oregon lottery winnings > Enter other subtraction amount. In both the Federal and Oregon boxes enter the total of all Oregon lottery winnings of \$600 or less on a single ticket or play.

ADDITIONS

Additions flow to Sch. OR-ASC-NP, section B, and to the OR-40-N, line 30, "Total additions from Sch. OR-ASC-NP". Items that need to be reflected as "Additions" are very rare for our clients. See Oregon pubs for more information, as desired.

DEDUCTIONS

ITEMIZED VS STANDARD DEDUCTIONS

Just like on the Resident return, Non-residents are entitled to a deduction for the greater of Oregon allowed itemized deductions or the Oregon standard deduction. The amount selected will be multiplied by the Oregon percentage before being subtracted from Oregon income.

- Itemized deductions automatically flow from the federal Sch. A to the OR Sch. A except for Oregon state income tax or general sales tax entry, neither of which is allowed as an itemized deduction for Oregon. The total of itemized deductions on OR. Sch. A is automatically entered on the 40N, line 37.
- TaxSlayer automatically enters the TP's applicable standard deduction on the 40N, line 38.
- TaxSlayer chooses the greater of line 37 or line 38 and automatically enters it on line 39.

If the taxpayer has gambling losses on Schedule A, be sure to see the Modification section below to see if an entry is required to ensure gambling losses on the Oregon return don't exceed Oregon taxable gambling winnings.

FEDERAL INCOME TAX LIABILITY

Oregon allows a deduction for the taxpayer's current year federal tax liability after adjustments for certain credits (see the OR-40-N instructions for details of the calculation). The maximum deduction is \$8250 for TY24 but phases out to \$0 for federal AGI greater than \$145K (Single/MFS) or \$290K (MFJ and HoH). TaxSlayer calculates the allowable deduction automatically and flows the amount to line 40 on the OR-40-N. The final amount deductible from Oregon taxable income is also subject to the Oregon percentage (along with other items) and appears on line 42 of the OR-40-N.

OTHER DEDUCTIONS (MODIFICATIONS)

Modifications flow to Sch. OR-ASC-NP, section D, and then to the 40N, line 41, "Total modifications from Sch. OR-ASC-40NP".

GAMBLING LOSSES CLAIMED AS AN ITEMIZED DEDUCTION [Code 604]

CHEAT SHEET AVAILABLE

Gambling losses claimed as a deduction of Oregon Schedule A cannot be greater than gambling winnings taxable to Oregon. Since gambling losses automatically flow from the federal Sch. A to the Oregon Sch. A, there may be an excess of federally deductible ' gambling losses that pass through as Oregon deductions.

You cannot adjust the gambling losses claimed on the Sch. A directly. You can ensure that gambling losses for Oregon don't exceed taxable OR gambling winnings by adding back the excess gambling losses that passed through from federal Sch. A as a modification. Enter any adjustment required as follows

- Oregon return > Other Deductions > Drop down menu > Gambling losses claimed as an itemized deduction. Enter as a positive number (TaxSlayer will correctly treat it as a negative number on the 40N, Modifications section).

FEDERAL INCOME TAX REFUND [Code 601]:

Oregon allows a subtraction from income of federal tax liability (up to limitation) multiplied by the taxpayer's Oregon percentage. A federal tax refund received as a result of an audit or an amended federal return may result in an excess tax benefit

having been received in the prior year. If it does, an addition of the amount of the excess tax benefit must be included in the current year's return.

Changes in income or adjustments on the federal return may trigger changes in OR income and adjustments, and also change the Oregon percentage, affecting the amount of the federal tax liability subtraction.

Calculate the corrected Oregon percentage and then figure the excess tax benefit to be added back:

$(\text{Original federal tax liability} \times \text{original OR percentage}) - (\text{Corrected federal tax liability} \times \text{revised Oregon percentage}) = \text{Excess tax benefit received.}$

- Oregon Return > Other Deductions > Other deductions/modifications > Federal Income Tax Refunds> Enter the calculated excess tax benefit received as a negative number

FOREIGN TAX CREDIT [Code 603]:

The credit is handled as a modification on the Oregon Non-Resident return and is usually the same amount as shown on the federal return. Here's the data entry path:

- Oregon Return > Other Deductions > Other Deductions/Modifications > Foreign Tax. Enter the foreign tax as a positive number.

The "credit" will be on Sch. OR-ASC-NP, section D, Modifications, with code 603, and also on line D7 as part of total modifications in that section. The line D-7 total also be on line 41, "Total modifications from Sch. OR-ASC-NP". This total is multiplied by the TP's OR percentage before being subtracted from OR income.

NOTE: TaxSlayer will automatically reduce the amount of your foreign tax modification entry if the TP's federal AGI > \$125K **OR** the foreign tax credit on the federal return + the federal tax liability on the Oregon return is greater than the maximum federal tax liability subtraction. If the TP is itemizing for OR, another option is to claim foreign taxes paid on OR Sch. A instead, if it's more beneficial.

QUALIFIED TIP DEDUCTION [Code 680]

Oregon allows the same deduction for tips that is allowed on the taxpayer's federal return. However, for a Non-Resident the deduction is limited to tips the taxpayer received while physically working within Oregon as an employee or from a business you own and operate within Oregon. Limit your deduction to the amount of tip income included in the Oregon column of the non-resident return. The deductible amount on the Oregon return is not multiplied by the Oregon Percentage

- Oregon Return > Other Deductions > Other deductions/modifications > Enter the amount of tip income included in the Oregon column of your nonresident return. Enter as a positive number.

QUALIFIED OVERTIME DEDUCTION [Code 681]

Oregon allows the same deduction for overtime that is allowed on the taxpayer's federal return. However, for a Non-Resident the deduction is limited to the overtime related to wages earned while physically working within Oregon. The deductible amount on the Oregon return is not multiplied by the Oregon Percentage.

Enter the Oregon portion as follows:

- Oregon Return > Other Deductions > Other deductions/modifications > Enter the overtime portion of wages included in the Oregon column of your non-resident return. Enter as a positive number.

PASSENGER VEHICLE LOAN DEDUCTION [Code 658]

Oregon allows the same deduction for interest on a qualified car loan as on the federal return. Enter the total amount deducted on the federal return. The amount enter will be multiplied by the Oregon Percentage.

- Oregon Return > Other Deductions > Other deductions/modifications > **Data entry field TBD.** Enter as a positive number.

CREDITS

Credits not listed individually on their own lines on the 40N flow first to Sch. OR-ASC-NP and then to "total" lines on the 40N proper as follows:

Standard credits > Sch. OR-ASC-NP Section E > line E16 > line 50 "Total standard credits from Sch. ASC-NP" Carryforward credits > Sch. OR-ASC-NP Section F > line F9 > line 53 "Total carryforward credits from Sch. ASC-NP"

Refundable credits > Sch. OR-ASC-NP Section H > line H7 > line 63 "Total refundable credits from Sch. ASC-NP".

EARNED INCOME CREDIT

Oregon's earned income credit is a percentage of the earned income credit claimed on the federal return. The percentage is applied to Non-Residents as for Residents.

However, the final credit allowed for Non-Residents is multiplied by the Oregon percentage. The final credit flows to line 60 on OR-40-N. This calculation is automatic in Taxslayer.

OREGON EIC FOR ITIN FILERS [Code 898]

Taxpayers who have ITINS but otherwise would qualify for earned income credit on their federal return, may be eligible for the Oregon EIC for ITIN filers. Instructions for form EITC-ITIN for additional information. TaxSlayer automatically calculates the credit for eligible TPs. The credit is multiplied by the taxpayer's Oregon percentage. TPs who don't qualify for the federal EITC for reasons other than ITINs do not qualify for OR EITC for ITINS. This credit flows to the ASC Schedule Code 898.

EXEMPTION CREDIT

For 2025, Non-Residents receive a credit of \$256 x the # of exemptions from line 6e on the OR-40-N. The final credit allowed is multiplied by the Oregon percentage. Credit is reduced to \$0 if the federal AGI exceeds \$100K/\$200K (S or MFS/MFJ, HOH, QSS) limits.

POLITICAL CONTRIBUTIONS [Code 809]

Non-Residents are eligible for a credit of \$50 per taxpayer (\$100 MFJ) for contributions to political party, a candidate to be voted on in Oregon, or a PAC certified in Oregon. Count only money contributions, and reduce these by any swag received in return. The credit phases out for taxpayer's with federal AGI > \$200K MFJ. Final credit allowed is multiplied by the Oregon percentage.

- Oregon Return > Credits > Standard Credits > Other Standard Credits > Political Contributions. Enter each TP's amount contributed up to the limitation.

WORKING FAMILY HOUSEHOLD & DEPENDENT CARE CREDIT [Code 895]

TaxSlayer automatically handles. The rules for the OR WFHDC credit are the same as those for the federal CDC credit. The taxpayer must have Oregon wages. In addition, to be eligible for the OR WFHDC Credit, TP must file federal form 2441 and have an AGI (federal or Oregon, whichever is greater) at or below the allowable limit for their household size (# persons) per the WFHDC AGI Limits table in OR Pub 17. This credit is subject to the TP's Oregon percentage before being applied to income.

- Oregon return > Credits > Refundable Credits > Do you qualify for the OR WFHDC Credit? > Yes/No.

OREGON 529 COLLEGE SAVINGS PLAN CONTRIBUTIONS CREDIT [Code 896]

There is no limit to how much a taxpayer can contribute to a plan, but only up to \$170/\$340 is "considered" when calculating the credit. The amount of the credit ranges

from 5% -100% of the amount contributed (up to the maximum “considered” based on AGI and taxpayer’s filing status. The credit is the lesser of a percentage of the contribution based on AGI or the actual contribution amount up to \$170 (S/MFS)/(\$340 MFJ/HOH/QSS). Here’s the data entry path:

- Oregon return > Credits > Refundable Credits > OR 529 Plans > Enter the amount of the contribution.

From your contribution entry, TaxSlayer will calculate the amount of the credit based on the AGI, filing status, & contribution parameters and subject to the TP’s OR percentage. The credit flows to Sch. OR-ASC, section F, Refundable Credits with code 896, is combined with other refundable credits on line F7, and then moves to the 40N, line 38 “Total Refundable Credits from Sch. OR-ASC.

OREGON ABLE ACCOUNT CONTRIBUTIONS CREDIT [Code 897]

The maximum contribution per TP to the beneficiary’s account is \$17K, but only \$170/\$340 is “considered” when calculating the credit. The amount of the credit ranges from 5% -100% of the amount contributed (up to the maximum “considered” based on AGI and the TP’s filing status. The credit is the lesser of a percentage of the contribution based on AGI or the actual contribution amount up to \$170 (S/MFS)/(\$340 MFJ/HOH/QSS). Here’s the data entry path:

- Oregon return > Credits > Refundable Credits > ABLE Accounts Contributions > Enter the amount of the contribution.

From your contribution entry, TaxSlayer will calculate the amount of the credit based on the AGI, filing status, & contribution parameters and subject to the TP’s OR percentage. The credit flows to Sch. OR-ASC, section F, Refundable Credits with code 897, is combined with other refundable credits on line F7, and then moves to the 40N, line 38 “Total Refundable Credits from Sch. OR-ASC.

OREGON SURPLUS (KICKER) CREDIT

This credit is a fully refundable credit available to any taxpayer who filed a 2024 Oregon tax return and had a tax liability before credits. The credit can be entered in one of three ways:

- (1) Go to the Oregon Department of Revenue Website and click on “What’s My Kicker” to retrieve the kicker credit.

Enter the kicker amount into Taxslayer

- Oregon Return>Credits>Refundable Credits>OR Surplus Credit (Kicker)>Enter in “Amount from the What’s My Kicker Tool”

(2) Calculate the kicker credit and enter the calculated credit.

.09863 x tax liability before credits from OR-40 2024 = \$ _____

Enter the amount calculate into Taxslayer

- Oregon Return>Credits>Refundable Credits>OR Surplus Credit (Kicker)>Enter in “Amount from the What’s My Kicker Tool “

(3) Enter the tax liability before credits from 2024 OR-40 into TaxSlayer and let Taxslayer calculate the kicker credit.

Enter the tax liability as follows:

- Oregon Return>Credits>Refundable Credits>OR Surplus Credit (Kicker)>Enter in “Tax Before Credits”

If the taxpayer’s filing status was different in 2024, see Oregon pub 17 on how calculate the appropriate kicker for the 2025 tax return.

OREGON KIDS’ CREDIT

Available to all Oregon Residents & to Oregon Non-Residents who work in Oregon. Fully refundable. Taxpayer must have 1 or more dependents under age 6 who are listed on the Oregon return. Credit is \$1000 per up to 5 children maximum. The credit phases out to -0- when the TP’s income (AGI with some adjustments) \geq \$30,700. For Non-Residents, the final credit is multiplied by the Oregon percentage before being applied to the tax liability on the return. Unlike the federal child tax credit, this credit does not “travel” to a non-custodial spouse who is eligible to claim a dependent child. Dependents with ITINs are eligible Taxslayer handles this calculation automatically. The credit is reported on line 61.