

2022 OREGON FY RESIDENT INSTRUCTIONS(DRAFT)

INCOME

OREGON INCOME TAX REFUND

Oregon taxable income includes federally taxable refunds of other states' income taxes. Oregon does not tax federally taxable Oregon state income tax refunds. The federally taxable amount of all state tax refunds flows automatically to form OR40, line 7, as part of the federal AGI. A manual subtraction of the federally taxable Oregon income tax refund is required. See **SUBTRACTIONS**

W-2 WAGES

Wages, salaries, & tips reported on the W-2 automatically flow to form OR40, line 7, as part of the federal AGI.

SELF-EMPLOYMENT INCOME

Self-employment income is taxable to Oregon and automatically flows to the OR40, line 7, as part of the federal AGI.

INTEREST FROM US SAVINGS BONDS/TREASURY OBLIGATIONS

Federal taxable interest from US savings bonds and Treasury bills automatically flows to the OR40, line 7, as part of the federal AGI. However, Oregon does not tax interest from US Savings Bonds or Treasury bills. The subtraction is automatic if correctly entered into TaxSlayer. See **SUBTRACTIONS** for instructions. [Code 315]

OTHER INTEREST AND DIVIDENDS

1) All other interest and dividends taxable on the federal return, such as bank interest, are also taxable to Oregon and flow automatically to the OR40, line 7, as part of the federal AGI.

2) Bond interest from states and municipalities is federally tax-exempt and is not included in the federal AGI. However, federally tax-exempt bond interest from states and municipalities outside of Oregon is taxable to Oregon for FY residents and must be added to Oregon income. The addition is automatic if correctly entered into TaxSlayer. See **ADDITIONS** for instructions. [Code 158]

PENSION INCOME

1) Regular pension income is taxable to Oregon and flows automatically to the OR40, line 7, as part of the federal AGI.

2) Social Security Income is not taxed by Oregon and automatically flows to the OR40, line 7, as part of federal AGI. The subtraction is automatic on OR40, line 11.

3) Railroad Retirement Board Income (both tier 1 and tier 2) are not taxed by Oregon and automatically flows to the OR40, line 7.

a) TIER 1 (RRB-1099 – Social Security equivalent) subtraction is automatic on OR40, line 11.

b) TIER 2 (RRB – 1099-R) subtraction is automatic (OR-ASC code 330) and flows to OR40, line 13.

4) IRA Distributions are taxable to Oregon and flow automatically to the OR40, line 7, as part of the federal AGI.

5) Federal pension income is taxable to Oregon and flows automatically to the OR40, line 7, as part of federal AGI. However depending on dates of service, some of the taxable federal pension may be a subtraction. See **SUBTRACTIONS** [Code 307]

CAPITAL GAINS & THE SALE OF OREGON PROPERTY

Oregon conforms to the exclusion from capital gain for the sale of the taxpayer's residence allowed on the federal return. (Loss on the sale of primary residence is not allowed on either the federal or the Oregon return). Oregon income tax withheld from proceeds of the sale of TP's home is considered estimated tax paid.

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

UNEMPLOYMENT INCOME

Unemployment compensation is taxable to Oregon and automatically flows to the OR40, line 7, as part of federal AGI.

GAMBLING WINNINGS

Gambling winnings automatically flows to the OR40, line 7, as part of the federal AGI.

However, Oregon lottery winnings of \$600 or less from a single ticket or play are not taxable to Oregon. They need to be subtracted from Oregon income. See **SUBTRACTIONS** [Code 322]

Also see **ADDITIONS** [Code 134] if gambling losses are included in itemized deductions on the OR40.

AMERICAN INDIAN

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

ADJUSTMENTS

Automatically flow to the OR40, line 7 as part of the federal AGI.

SUBTRACTIONS

If not listed separately on the OR40, subtractions flow to Sch. OR-ASC, section 2, and to the OR40, line 13, "Total Subtractions from Sch. OR-ASC".

OREGON INCOME TAX REFUND

The federally taxable part of state income tax refunds automatically flows to the OR40, line 7, as part of the federal AGI. Since Oregon doesn't tax its own state income tax refunds, a subtraction of Oregon income tax refund is needed. Enter the subtraction as follows:

- *OR Return > Subtractions from Income >* Enter the Oregon State Tax Refund included on Federal Form 1040, Schedule 1, Line 1. Enter the amount of the federally taxable Oregon tax refund only in the box.

FEDERAL PENSION INCOME SUBTRACTION

[Code 307]: Subtraction allowed if some or all of the taxpayer's service was before 10/1/1991 and it is not a disability pension (1099-R, Box 7, Code 3).

Step 1: Go to the <https://ortaxaide.org> website to find the Oregon Federal Pension Calculator. You will need the password to access the website (see your Training Coordinator or LC).

Enter the start date of the Federal service, the end date of the Federal service and the amount of the pension income that was federally taxable.

Click "calculate". The calculator generates a percentage which represents the ratio of months of federal service before 10/1/1991 to total months of federal service and the amount of the federally taxable pension that is excludable from Oregon taxation. The percentage stays the same for as long as distributions continue, including distributions to beneficiaries.

Step 2: Enter Federal Pension Subtraction amount into TaxSlayer.

- *OR Return > Subtractions from Income > Federal Pension Income Subtraction>*
Enter amount calculated in Step 1.

FEDERAL INCOME TAX LIABILITY

Automatically handled by TaxSlayer. The subtraction is adjusted for other credits taken on the 1040. See worksheet in OR Pub 17 for more information.

FOREIGN TAXES

[Code 311] Oregon allows a subtraction for the amount of the foreign tax credit taken on the TP's federal return. However, the credit may be limited on the Oregon return if the TP's federal AGI > \$125K. In addition, foreign tax subtraction plus the subtraction for the federal tax liability plus any additional tax paid for the prior year can't be more than \$7,050 (\$3,525 if your filing status is married filing separately). To claim the subtraction:

- *OR Return > Subtractions from Income > Other Subtraction > Foreign Tax.* Enter the allowable amount
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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 wage income that automatically flows to the OR40, line 7, as part of the federal AGI. To create the subtraction:

- *OR return > Subtractions from Income > Other Subtractions > Scholarship awards used for housing expenses.* Enter the federally taxable amount of scholarship awards used for housing expenses.

SPECIAL OREGON MEDICAL SUBTRACTION

[Code 351]: For a taxpayer and/or spouse age 66 or older on 12/31/2022, Oregon allows a subtraction of some or all of the unreimbursed medical expenses for which no tax benefit has already been taken. "No tax benefit" means that either the TP

- a) didn't itemize at all, or
- b) did itemize but didn't include medical expenses as an itemized deduction on OR Sch. A, or
- c) did itemize, but 7.5% of their federal AGI was not usable as part of the OR Schedule A deductible medical expenses.

Step 1: Total each eligible TP's out-of-pocket, unreimbursed medical expenses. Exclude expenses claimed on form 1040 Sch 1 line 16, Self Employed Health Insurance Deduction.

Step 2: Enter the medical expenses from Step 1 into the appropriate box for each eligible TP.

- *OR Return > Subtractions from Income > Special Oregon Medical Subtraction > Qualifying Medical Expenses*

Do not limit your entry to expenses that have not been deducted elsewhere on the return (except for SEHI deduction). TaxSlayer will exclude medical expenses already taken on Schedule A. Results show in the OR-ASC, Section 2 Code 351, and are included in the line Total Subtractions on OR40.

INTEREST/ DIVIDENDS FROM US SAVINGS BONDS/TREASURY OBLIGATIONS

[Code 315] US Government interest is included in federal AGI, but not taxable to OR. To create the subtraction from OR income:

- *Federal Return > Interest & Dividends > Interest Income > Amount of Interest on U.S. Savings Bonds & Treasury Obligations that you want subtracted from your state return > Oregon.* Enter the total amount of interest from 1099-INT Box 3

OREGON LOTTERY WINNINGS OF \$600 OR LESS ON A SINGLE TICKET OR PLAY

[Code 322] This is included in federal AGI, but not taxable to OR. To create the subtraction:

- *OR Return > Subtractions from Income > Other Subtractions > (drop-down list) Oregon lottery winnings.*

Enter the total of all OR lottery winnings of \$600 or less from single tickets or plays.

AMERICAN INDIAN [Code 300]: If TP meets all qualifications,

- *OR 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.

DEDUCTIONS

Oregon itemized deductions flow automatically from the Federal Sch A and appear on Oregon Schedule A.

ADDITIONS

Flow to Sch. OR-ASC, section 1 and OR40, line 8, "Total additions from Sch. OR-ASC.

GAMBLING LOSSES CLAIMED AS AN ITEMIZED DEDUCTION [Code 134]:

(1) All gambling winnings reported on the federal return automatically transfer to the OR 40 as part of the federal AGI.

(2) OR allows a subtraction (Code 322) of the total winnings from individual OR lottery wins of \$600 or less on a single ticket or play from gambling winnings included in OR income on the OR40. As a result, gambling winnings taxable to Oregon may be less than what is taxable on the federal return and gambling losses flowing from the federal return may need to be limited on the Oregon return.

(3) The net gambling winnings taxable to OR from (2) is the maximum amount of gambling losses allowed to be claimed on OR on OR Sch. A. Check the gambling losses on the Oregon A to determine if an addition is needed.

4. To reduce the amount of gambling losses included on the Oregon return, create an addition:

- *OR Return > Additions to Income > Other Additions > Gambling Losses Claimed as an Itemized Deduction.* Enter the excess of losses claimed over OR gambling winnings.

Note: The amount of gambling losses on the Oregon Schedule A will not change after the addition. The addition shows on a different line on the return.

FEDERALLY TAX-FREE STATE AND MUNICIPAL BOND INTEREST FROM STATES OTHER THAN OREGON

[Code 158]:

- *Federal Return > Interest & Dividends > Interest Income > Taxable State Interest > Add Interest Items > Select Oregon and enter amount of non-Oregon state and municipal bond interest.* Enter the total amount of interest from 1099-INT Box 8.

OR 529 SAVINGS PLAN NONQUALIFIED WITHDRAWAL:

Withdrawals from an Oregon 529 Savings Plan for nonqualified purposes, where the funds were subtracted on a prior year return, must be reported as an addition. Withdrawals used for K-12 expenses need to be added.

- *OR Return > Additions to Income > Other Additions > Oregon College & MFS 529 Savings Plan Nonqualified Withdrawal.* Enter the amount of the withdrawal used for nonqualified purposes.

FEDERAL INCOME TAX REFUND

[Code 109]: OR allows a subtraction from income of federal tax liability (up to limit). 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 so, an addition of the amount of the excess tax benefit is needed. The excess tax benefit is the difference between the federal tax liability actually subtracted on the prior year's Oregon return and the federal tax liability that would have been subtracted had the federal return been correct. [Details in OR Pub 17, pp. 54-55].

Original federal tax liability taken - Corrected federal tax liability = Excess benefit received.

- *OR return > Additions to Income > Other Additions > Federal Income Tax Refunds >* Enter amount of calculated excess tax benefit.

CREDITS

Credits not listed separately on the OR40 flow to Sch. OR-ASC, section 3 (Standard credits and the OR40, line 27, or to section 4 (Carryforward credits) and the OR40, line 30, or to section 5 (Refundable credits) and the OR40, line 37.

EARNED INCOME TAX CREDIT

TaxSlayer automatically calculates the allowable Oregon credit.

EXEMPTION CREDIT

TaxSlayer automatically calculates. Credit is \$219 per person on the return, or \$0 if the federal AGI exceeds \$100K/\$200K limits.

POLITICAL CONTRIBUTION CREDIT

[Code 809]: Can be to a political party, a candidate to be voted on in OR, a PAC certified in OR – NOTE: A PAC registered with the Federal Elections Commissions may not be required to register in OR, Political parties (can be national). Count only money contributions, and these must be reduced by any swag received in return. Credit limited to max OR certified PAC. Only "cash" contributions count, and these must be reduced by any swag received in return. Credit limited to max of \$50 per TP. Phase out at federal AGI >\$150K MFJ, >\$75K other filing statuses.

- *OR Return > Credits > Political Contribution Credit >* Enter the Political Contributions amount.

RETIREMENT INCOME CREDIT

[Code 811] TP must be 62 or older & receive retirement income taxable to OR. Household income must be < \$22,500 (\$45,000 MFJ), Social Security &/or Tier 1 RR Retirement are less than \$7500 (\$15,000 if

MFJ), and household income + Social Security and Tier 1 RR Retirement benefits is less than \$22,500 (\$45,000 if married filing jointly).*(See OR Pubs for worksheet to calculate allowable credit).

- *OR Return > Standard Credits > Other Standard Credits > Retirement Income > Enter amount.*

WORKING FAMILY HOUSEHOLD & DEPENDENT CARE CREDIT

[Code 895] Automatically handled. Taxpayer must have qualified to file federal form 2441 to be able to claim the WFHDC credit on the OR return.

The same caregiver rules apply to the WFHDC credit as to the federal CDC credit. TP cannot claim the same medical expenses as an itemized deduction AND as the basis for the WFHDC. An add-back is needed if this is the case. See OR Pub 17 & WFHDC worksheet for additional important details.*

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

SUMMARY

This table provides a summary of the most common additions and subtractions including the Oregon code. Review the Oregon return in preview and confirm that the amounts of the additions and subtractions are properly captured as well as the corresponding code.

	Description	Oregon State Return Code
Addition	Gambling losses	Code 134
Addition	State and muni interest	Code 158
Addition	Federal income tax refund	Code 109
Subtraction	Oregon income tax refund	
Subtraction	Federal pension income	Code 307
Subtraction	US Government interest	Code 315
Subtraction	Foreign income taxes	Code 311
Subtraction	Special Oregon medical subtraction	Code 351
Subtraction	Lottery < \$600	Code 322
Subtraction	RRB Tier 2	Code 330
Subtraction	Federal pension	Code 307
Subtraction	Foreign taxes	Code 311
Subtraction	Scholarship awards	Code 333
Subtraction	American Indian	Code 300