NR Adjustment Formulas

OR **nonresidents** are allowed a partial deduction for adjustments taken on the federal return.

(1) **The deduction for the alimony paid, student loan interest paid** (limited to amount on Federal return), **HSA contributions** made is based on the ratio (or percentage) of OR source income to total federal income **before adjustments, additions, subtractions, and deductions:**

$$\frac{\text{Oregon source income while an NR}}{\text{Total income while an NR}}$$

The result should be carried to **3 decimal places**. Multiply the amount of alimony paid, student loan interest paid, or HSA contributions made while the TP was a nonresident by that decimal to calculate the NR adjustment. For example:

$$\frac{\text{Oregon source income while an NR}}{\text{Total income while an NR}} \text{ X Alimony paid while a NR = NR alimony paid deduction}$$

The student loan interest paid, HSA contributions and alimony paid adjustments follow the same pattern.

(2) **The IRA contribution** deduction formula only uses compensation in calculating the adjustment:

$$\frac{\text{Oregon source \textbf{compensation*} i while an NR}}{\text{Total \textbf{compensation*} while an NR}} \text{ X } \frac{\text{IRA contributions}}{\text{made while a NR}} \text{ = NR IRA deduction}$$

*Federal definition of Compensation for IRA Contribution includes alimony

(3) **The self-employment tax paid deduction** formula is:

$$\frac{\text{S/E earnings taxed by OR}}{\text{Total taxable S/E earnings}} \text{ X Federal S/E tax adjustment = NR self-employment tax deduction}$$

For the S/E tax paid adjustment, figure how much of the net self-employment income is attributable to Oregon business activity. This is the numerator. The net self-employment income from the 1040 is the denominator.

If TP **only did business in OR**, the numerator and the denominator will be the same and the deduction will be 100% of the federal S/E tax adjustment. If the TP **didn't do any business in OR**, then the numerator will be $-0-, and there will be no SE tax adjustment in the OR column.