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Did you repay over \$3,000 during the year that you reported as taxable income in an earlier year? If so, you may be able to claim a credit on your Oregon return if you have a claim of right deduction or credit on your federal return under IRC § 1341.

Repayments of \$3,000 or less do not qualify for an Oregon credit.

### Claim of Right credit

If you claimed a credit on your federal return, follow these instructions to calculate your Oregon credit. If you claimed a federal deduction, see page 4. To calculate the credit, you will need the following:

- Oregon tax tables or rate charts from the year the income was taxed.
- Form 40 or 40S filers:
  - A copy of your Oregon tax return for the year the income was taxed plus any amended returns or adjustment notices.
- Form 40N or 40P filers:
  - A copy of your Oregon tax return for the year the income was taxed plus any amended returns or adjustment notices.
  - A blank form for that tax year. You must complete another Form 40N or 40P for the year the income was taxed and reduce your Oregon and federal income by the repaid amount. This is the only difference between this return and the return you filed (including amendments or adjustments). Your Oregon percentage will likely change. Do not adjust any other items on the return, but do recalculate amounts using the revised Oregon percentage. Complete the return through Form 40N, line 53; or Form 40P, line 52, tax before credits. **Do not file this return.** Use this return only for the purpose of calculating claim of right.

### Claim of Right credit worksheet

1. Enter your Oregon taxable income, as amended or adjusted, for the year the income was taxed (Form 40, line 28 or Form 40S, line 12). Form 40N or 40P filers, skip to line 4..... 1.
2. Enter the amount of income you repaid in the tax year for which you are calculating the credit ..... 2.
3. Line 1 minus line 2. This is your Oregon taxable income without the repaid income ..... 3.
4. **Form 40 or 40S filers**—Enter the tax from the tax tables or rate charts for the Oregon taxable income on line 3. Use the tables or charts from the year the income was taxed. This is what your Oregon tax before credits would have been without the income you repaid.  
  
**Form 40N or 40P filers**—Enter your Oregon tax before credits from the return you completed **without** the income that was repaid (Form 40N, line 53; or Form 40P, line 52)..... 4.
5. Enter your Oregon tax before credits from the return you filed, as amended or adjusted (Form 40, line 32; Form 40S, line 13; Form 40N, line 53; or Form 40P, line 52) ..... 5.
6. Line 5 minus line 4. This is your Oregon claim of right credit. Include this amount on the estimated payment line the year you made the repayment and check the box (Form 40, line 43; Form 40N or 40P, line 60) ..... 6.


**More than one tax year repaid**—If you repaid income from more than one tax year, complete a separate credit worksheet for each tax year to determine the credit for each tax year. Then claim the total of all credits on your return the year you made the repayment.

**Do not attach this worksheet to your Oregon return. Keep it with your tax records.**

## Example 1

In 2013, Sophie repaid \$10,000 of pension income originally received in 2010. She claimed the Claim of Right credit on her 2013 federal return. Her 2010 Oregon tax return was not amended or adjusted and it shows Oregon taxable income of \$40,000 and Oregon tax before credits of \$3,391 (Form 40, line 32).

### Example 1: Sophie's Claim of Right credit worksheet

1. Enter your Oregon taxable income, as amended or adjusted, for the year the income was taxed (Form 40, line 28 or Form 40S, line 12). Form 40N or 40P filers, skip to line 4.....	1.	\$40,000
2. Enter the amount of income you repaid in the tax year for which you are calculating the credit .....	2.	10,000
3. Line 1 minus line 2. This is your Oregon taxable income without the repaid income .....	3.	30,000
4. <b>Form 40 or 40S filers</b> —Enter the tax from the tax tables or rate charts for the Oregon taxable income on line 3. Use the tables or charts from the year the income was taxed. This is what your Oregon tax before credits would have been without the income you repaid.  <b>Form 40N or 40P filers</b> —Enter your Oregon tax before credits from the return you completed <b>without</b> the income that was repaid (Form 40N, line 53; or Form 40P, line 52).....	4.	2,491
5. Enter your Oregon tax before credits from the return you filed, as amended or adjusted (Form 40, line 32; Form 40S, line 13; Form 40N, line 53; or Form 40P, line 52) .....	5.	3,391
6. Line 5 minus line 4. This is your Oregon claim of right credit. Include this amount on the estimated payment line the year you made the repayment and check the box (Form 40, line 43; Form 40N or 40P, line 60) .....	6.	\$900

Sophie completes the worksheet and determines that the tax in 2010 on \$30,000 (previous taxable income minus the amount she repaid) would have been \$2,491. This is a difference of \$900 (line 6 of the credit worksheet). Sophie will include her \$900 credit on line 43 of her 2013 Form 40 (the year she repaid the income) and check the box labeled "claim of right."

## Example 2

During 2013 Chris was a full-year resident and repaid \$25,000 of compensation originally received in 2007. He claimed the Claim of Right credit on his 2013 federal return. During 2007, Chris filed an Oregon nonresident return (Form 40N). In 2007, \$10,000 of the compensation he repaid was taxable to Oregon. He worked part of the time in Oregon during that year and the rest in Washington. Chris will refigure his 2007 Oregon Form 40N minus \$25,000 in the federal column and minus \$10,000 in the Oregon column to recalculate his tax without the income that was repaid. This may change his Oregon percentage as well. Chris will compare the tax before credits on the two 2007 returns to calculate his credit.

In 2007 he originally had wages of \$225,000 in the federal column and \$80,000 in the Oregon column. Chris will refigure his 2007 return with \$200,000 in the federal column and \$70,000 in the Oregon column. This changes his Oregon percentage and decreases his Oregon tax to \$5,870. Chris' original tax was \$6,766.

### Example 2: Chris' Claim of Right credit worksheet

1. Enter your Oregon taxable income, as amended or adjusted, for the year the income was taxed (Form 40, line 28 or Form 40S, line 12). Form 40N or 40P filers, skip to line 4.....	1.	\$0
2. Enter the amount of income you repaid in the tax year for which you are calculating the credit .....	2.	0
3. Line 1 minus line 2. This is your Oregon taxable income without the repaid income .....	3.	

**Do not attach this worksheet to your Oregon return. Keep it with your tax records.**

4. **Form 40 or 40S filers**—Enter the tax from the tax tables or rate charts for the Oregon taxable income on line 3. Use the tables or charts from the year the income was taxed. This is what your Oregon tax before credits would have been without the income you repaid.

**Form 40N or 40P filers**—Enter your Oregon tax before credits from the return you completed **without** the income that was repaid (Form 40N, line 53; or Form 40P, line 52).....

4. 5,870
5. Enter your Oregon tax before credits from the return you filed, as amended or adjusted (Form 40, line 32; Form 40S, line 13; Form 40N, line 53; or Form 40P, line 52)..... 5. 6,766
6. Line 5 minus line 4. This is your Oregon claim of right credit. Include this amount on the estimated payment line the year you made the repayment and check the box (Form 40, line 43; Form 40N or 40P, line 60) ..... 6. \$896

4.	5,870
5.	6,766
6.	\$896

Chris will include his \$896 credit on line 43 of his 2013 Form 40 (the year he repaid the income) and check the box labeled "claim of right."

### Example 3

During 2013, Theresa was a full-year resident and repaid \$5,000 of pension income originally received in 2010. During 2010, she filed an Oregon nonresident return (Form 40N) and had no income taxable to Oregon. Theresa cannot claim a credit on her 2013 Oregon return for the pension income she repaid during 2013, because Oregon did not tax the income in 2010.

**Do not attach this worksheet to your Oregon return. Keep it with your tax records.**

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## Claim of Right deduction

[Addition code 103] [Modification code 649]

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If you claimed a federal deduction for the repayment on your federal return, you have a choice of how to claim it on your Oregon return. The federal **deduction** can flow through to your Oregon return **or** you can claim the **credit** instead. You can choose which option is more beneficial for your Oregon return. If you let the federal deduction flow through, you don't need to do anything further on your Oregon return.

If the credit results in less tax, you can claim the Oregon credit. You must add back any federal deduction to claim the credit on your Oregon return. To see which option is best, first calculate your credit on the credit worksheet on page 1. Then, if required, complete the addition worksheet (below). Finally, complete the deduction worksheet for your form type on page 5.

### Addition

The addition on your Oregon return is generally equal to the deduction on your federal return. If you claimed the federal deduction on Schedule A, your addition may be less. Use the addition worksheet below to figure the Oregon addition required when taking the claim of right deduction on federal Schedule A and the claim of right credit on your Oregon return. Unless otherwise stated, all references are to the tax year when you repaid the income.

#### Addition worksheet for deduction on Schedule A

1. **Form 40 filers**—Enter your net Oregon itemized deductions from line 25.

**Form 40N or 40P filers**—Enter your Oregon itemized deductions from line 43\* .....

2. Enter the federal deduction for claim of right included on federal Schedule A, line 28.....

3. Line 1 minus line 2. This is your Oregon itemized deductions without the claim of right deduction.....

4. Enter your Oregon standard deduction (Form 40, line 26; Form 40N or 40P, line 44).....

5. Is line 3 larger than line 4?

☐ **Yes.** Enter zero.

☐ **No.** Enter line 4 minus line 3 .....

6. Line 2 minus line 5. This is your Oregon addition if you take the Oregon Claim of Right credit instead of allowing the deduction to flow through.....


\*For tax year 2012 and prior, add the special medical deduction claimed on line 46 to the amount on line 43.

Form 40 filers, enter the amount from line 6 as an "other addition" (line 10). Use addition code 103.

Form 40N or 40P filers enter the amount from line 6 as a negative amount on the "other deduction and modification" line (line 46). Clearly place a minus sign in front of the number. Use modification code 649. If you have more than one "other deduction and modification" you will need to use Schedule OR-ASC-N/P.

### Example 4

In 2012, Adam was required to repay \$5,000 of unemployment income from 2011. On his 2012 federal return, he included the claim of right deduction on Schedule A (\$5,000). The federal deduction was more beneficial because he's in a higher tax bracket in 2012 than he was for 2011. For Oregon, he needs to determine whether he should allow the deduction to flow through to his Oregon taxable income or claim the credit instead.

Adam uses the worksheet from page 1 and calculates the credit as \$450, the difference he paid in tax on this income for 2011. Because Adam claimed the deduction on his 2012 federal return he must fill out the addition worksheet and complete the deduction worksheet to see if he should allow the deduction to flow through on Schedule A or claim the Oregon credit instead. His 2012 federal itemized deductions of \$20,000 less \$12,000 of Oregon taxes, leaves him Oregon itemized deductions of \$8,000.

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**Do not attach this worksheet to your Oregon return. Keep it with your tax records.**

## Example 4: Adam's addition worksheet for deduction on Schedule A

1. <b>Form 40 filers</b> —Enter your net Oregon itemized deductions from line 25. <b>Form 40N or 40P filers</b> —Enter your Oregon itemized deductions from line 43* .....	1.	\$8,000
2. Enter the federal deduction for claim of right included on federal Schedule A, line 28.....	2.	5,000
3. Line 1 minus line 2. This is your Oregon itemized deductions without the claim of right deduction.....	3.	3,000
4. Enter your Oregon standard deduction (Form 40, line 26; Form 40N or 40P, line 44).....	4.	3,265
5. Is line 3 larger than line 4? <input type="checkbox"/> <b>Yes.</b> Enter zero. <input checked="" type="checkbox"/> <b>No.</b> Enter line 4 minus line 3 .....	5.	265
6. Line 2 minus line 5. This is your Oregon addition if you take the Oregon Claim of Right credit instead of allowing the deduction to flow through.....	6.	\$4,735

Since Adam's itemized deductions would have been less than his standard deduction of \$3,265, his addition is reduced. He only has to add back the benefit received of \$4,735. Next he'll complete the deduction worksheet below.

## Deduction comparison worksheets

If you claimed a deduction on your federal return for your repayment that was over \$3,000 and was previously taxed by Oregon, use the appropriate worksheet below depending on the type of form you're filing for the year of the repayment. The worksheet will show if you benefit more from allowing the federal deduction to flow through or claiming the credit for Oregon instead. Unless otherwise stated, all references are to the tax year when you repaid the income.

### Deduction worksheet for Form 40 filers

Complete your Oregon Form 40 through line 28 (for the tax year the repayment was made) allowing the federal deduction to flow through to your Oregon return and then complete this worksheet.

1. Enter your Oregon taxable income from Form 40, line 28 .....	1.	
2. If you completed the addition worksheet (page 4), enter the amount from line 6 of the <b>addition worksheet</b> . Otherwise, enter the amount of the claim of right deduction from your federal return.....	2.	
3. Add lines 1 and 2. This is your Oregon taxable income with the required addition when claiming the credit instead .....	3.	
4. Calculate the tax using the tax tables or rate charts for the taxable income on line 3. Be sure to use the current year tables or charts for the year you repaid the income .....	4.	
5. Enter the claim of right credit from line 6 of the <b>credit worksheet</b> (page 1) ...	5.	
6. Line 4 minus line 5. This is your Oregon tax before credits minus the claim of right credit .....	6.	
7. Calculate the tax for the Oregon taxable income on line 1. This is your Oregon tax before credits with the deduction .....	7.	

Compare lines 6 and 7. If line 7 is the same or less than line 6, do not claim the credit on the Oregon return. Instead allow the deduction claimed on the federal return to flow through to your Oregon return. If line 7 is more than line 6, claim the Oregon claim of right credit. Remember, you must add back the federal deduction to claim the credit.

**Do not attach this worksheet to your Oregon return. Keep it with your tax records.**

## Deduction worksheet for Form 40N or 40P filers

Complete two Oregon 40N or 40P tax returns for the year you repaid the income. On the **first** return, add back the federal amount deducted or the amount from line 6 of the addition worksheet (page 4). Remember, if your federal deduction is claimed on Schedule A, the Oregon addition is claimed on line 46, Form 40N or 40P (code 649) as a negative amount, so be sure to put a minus sign in front of the amount on line 46. If your federal deduction is claimed elsewhere on the federal return, your addition is entered on line 33, Form 40N or 40P (code 103) with the amount corresponding to the deduction claimed in each column. Complete the return through the Oregon tax before credits line (Form 40N, line 53 or Form 40P, line 52).

On the **second** return, allow the federal deduction to flow through to Oregon and complete the return through the Oregon tax before credits line.

1. Enter the amount from the tax before credits line from the **first** return (Form 40N, line 53 or Form 40P, line 52). This is your Oregon tax before credits after adding back the federal deduction..... 1.
2. Enter the claim of right credit from line 6 of the **credit worksheet** (page 1)... 2.
3. Line 1 minus line 2. This is your Oregon tax before credits minus the claim of right credit ..... 3.
4. Enter the amount from the tax before credits line from the **second** return (Form 40N, line 53 or Form 40P, line 52). This is your Oregon tax before credits allowing the deduction to flow through ..... 4.


Compare lines 3 and 4. If line 4 is the same or less than line 3, do not claim the credit on the Oregon return. Instead allow the deduction claimed on the federal return to flow through to your Oregon return. If line 4 is more than line 3, claim the Oregon claim of right credit. Remember, you must add back the federal deduction to claim the credit.

### Example 5

Now we'll see if Adam, from example 4, benefits more from allowing the federal deduction to flow through from his federal Schedule A or claiming the credit for Oregon instead.

#### Example 5: Adam's deduction worksheet

1. Enter your Oregon taxable income from Form 40, line 28 ..... 1.
2. If you completed the addition worksheet (page 4), enter the amount from line 6 of the **addition worksheet**. Otherwise, enter the amount of the claim of right deduction from your federal return..... 2.
3. Add lines 1 and 2. This is your Oregon taxable income with the required addition when claiming the credit instead ..... 3.
4. Calculate the tax using the tax tables or rate charts for the taxable income on line 3. Be sure to use the current year tables or charts for the year you repaid the income ..... 4.
5. Enter the claim of right credit from line 6 of the **credit worksheet** (page 1) ... 5.
6. Line 4 minus line 5. This is your Oregon tax before credits minus the claim of right credit ..... 6.
7. Calculate the tax for the Oregon taxable income on line 1. This is your Oregon tax before credits with the deduction ..... 7.

1.	\$135,900
2.	4,735
3.	140,635
4.	12,213
5.	450
6.	11,763
7.	\$11,787

Because line 7 is more than line 6, Adam benefits more by claiming the credit for Oregon. Therefore, he will claim the addition of \$4,735 on Form 40, (addition code 103) on his 2012 Oregon return. Then he'll include the claim of right credit of \$450 on line 43 and check box 43b to indicate that he has a claim of right credit.

### Example 6

In 2012, Megan, an Oregon nonresident, repaid \$30,000 of compensation originally received in 2009. She was also a nonresident in 2009 and \$20,000 of the compensation she repaid was taxable to Oregon. Megan claimed the \$30,000 repayment as an itemized deduction on her 2012 federal Schedule A. Now she needs to decide whether to let the federal Schedule A

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deduction flow through for Oregon or claim the credit. When she refigures her 2009 Oregon Form 40N tax for the credit worksheet, Megan will deduct \$30,000 from income in the federal column and \$20,000 from income in the Oregon column.

### Example 6: Megan's claim of right credit worksheet

1. Enter your Oregon taxable income, as amended or adjusted, for the year the income was taxed (Form 40, line 28 or Form 40S, line 12). Form 40N or 40P filers, skip to line 4 .....	1.	\$0
2. Enter the amount of income you repaid in the tax year for which you are calculating the credit .....	2.	0
3. Line 1 minus line 2. This is your Oregon taxable income without the repaid income .....	3.	0
4. <b>Form 40 or 40S filers</b> —Enter the tax from the tax tables or rate charts for the Oregon taxable income on line 3. Use the tables or charts from the year the income was taxed. This is what your Oregon tax before credits would have been without the income you repaid.  <b>Form 40N or 40P filers</b> —Enter your Oregon tax before credits from the return you completed <b>without</b> the income that was repaid (Form 40N, line 53; or Form 40P, line 52).....	4.	3,470
5. Enter your Oregon tax before credits from the return you filed, as amended or adjusted (Form 40, line 32; Form 40S, line 13; Form 40N, line 53; or Form 40P, line 52) .....	5.	5,250
6. Line 5 minus line 4. This is your Oregon claim of right credit. Include this amount on the estimated payment line the year you made the repayment and check the box (Form 40, line 43; Form 40N or 40P, line 60) .....	6.	\$1,780

Megan completes the worksheet and determines that the tax difference in 2009 on the \$20,000 of repaid income is \$1,780. Megan's 2012 Oregon claim of right credit is \$1,780.

Now Megan needs to use the addition worksheet to figure the Oregon addition required if she takes the Oregon claim of right credit.

### Example 6: Megan's addition worksheet for deduction on Schedule A

1. <b>Form 40 filers</b> —Enter your net Oregon itemized deductions from line 25. <b>Form 40N or 40P filers</b> —Enter your Oregon itemized deductions from line 43* .....	1.	\$42,000
2. Enter the federal deduction for claim of right included on federal Schedule A, line 28.....	2.	30,000
3. Line 1 minus line 2. This is your Oregon itemized deductions without the claim of right deduction.....	3.	12,000
4. Enter your Oregon standard deduction (Form 40, line 26; Form 40N or 40P, line 44).....	4.	3,265
5. Is line 3 larger than line 4? <input checked="" type="checkbox"/> <b>Yes.</b> Enter zero. <input type="checkbox"/> <b>No.</b> Enter line 4 minus line 3 .....	5.	0
6. Line 2 minus line 5. This is your Oregon addition if you take the Oregon Claim of Right credit instead of allowing the deduction to flow through.....	6.	\$30,000

Since Megan's itemized deductions are still more than the standard deduction, she needs to add back the whole repayment amount of \$30,000. Next she'll complete the deduction worksheet.

Before Megan can complete the deduction worksheet she must complete two 2012 Oregon Form 40N returns. The **first** return she completes is a 2012 Form 40N adding back the federal deduction as a negative amount on line 46 using code 649. Her tax before credits on Form 40N, line 53 is \$3,783. Megan completes a **second** 2012 Form 40N with the federal deduction included in itemized deductions and determines her tax before credits is \$2,163.

**Do not attach this worksheet to your Oregon return. Keep it with your tax records.**

## Example 6: Megan's deduction worksheet

1. Enter the amount from the tax before credits line from the <b>first</b> return (Form 40N, line 53 or Form 40P, line 52). This is your Oregon tax before credits after adding back the federal deduction.....	1.	\$3,783
2. Enter the claim of right credit from line 6 of the <b>credit worksheet</b> (page 1)...	2.	1,780
3. Line 1 minus line 2. This is your Oregon tax before credits minus the claim of right credit .....	3.	2,003
4. Enter the amount from the tax before credits line from the <b>second</b> return (Form 40N, line 53 or Form 40P, line 52). This is your Oregon tax before credits allowing the deduction to flow through .....	4.	\$2,163

Because line 4 is more than line 3, Megan benefits more by claiming the credit for Oregon. Therefore, Megan will enter \$30,000 as a **negative** amount on the "other deduction and modification" line (line 46) of her 2012 Oregon Form 40N using modification code 649. Then she'll include the claim of right credit of \$1,780 on line 60 and check box 60b to indicate that she has a claim of right credit.

## Example 7

Shannon, an Oregon nonresident, repaid \$10,000 in 2012 of Oregon unemployment originally received in 2011. She was a part-year resident in 2011 and all of the income she repaid was taxable to Oregon. Shannon claimed the \$10,000 repayment as an itemized deduction on her 2012 federal Schedule A. She has no Oregon source income in 2012, so she would not benefit from allowing the deduction to flow through to her Oregon return and will instead claim the Oregon credit.

Shannon must complete another 2011 Oregon Form 40P return through line 52 and reduce the income in both the Federal and Oregon to calculate the tax difference. She will use the claim of right credit worksheet to determine her 2012 Oregon credit.

## Example 7: Shannon's claim of right credit worksheet

1. Enter your Oregon taxable income, as amended or adjusted, for the year the income was taxed (Form 40, line 28 or Form 40S, line 12). Form 40N or 40P filers, skip to line 4.....	1.	\$0
2. Enter the amount of income you repaid in the tax year for which you are calculating the credit .....	2.	0
3. Line 1 minus line 2. This is your Oregon taxable income without the repaid income .....	3.	0
4. <b>Form 40 or 40S filers</b> —Enter the tax from the tax tables or rate charts for the Oregon taxable income on line 3. Use the tables or charts from the year the income was taxed. This is what your Oregon tax before credits would have been without the income you repaid.  <b>Form 40N or 40P filers</b> —Enter your Oregon tax before credits from the return you completed <b>without</b> the income that was repaid (Form 40N, line 53; or Form 40P, line 52).....	4.	4,470
5. Enter your Oregon tax before credits from the return you filed, as amended or adjusted (Form 40, line 32; Form 40S, line 13; Form 40N, line 53; or Form 40P, line 52) .....	5.	5,370
6. Line 5 minus line 4. This is your Oregon claim of right credit. Include this amount on the estimated payment line the year you made the repayment and check the box (Form 40, line 43; Form 40N or 40P, line 60) .....	6.	\$900

Shannon will enter \$10,000 as a **negative** amount on the "other deduction and modification" line (line 46) of her 2012 Oregon Form 40N using modification code 649. Then she'll include the claim of right credit of \$900 on line 60 and check box 60b to indicate that she has a claim of right credit.

**Corporations** may file for relief of tax on repaid income. Refer to Oregon Form 20 instructions.

**Do not attach this worksheet to your Oregon return. Keep it with your tax records.**



If you have questions or need more information, visit our website at [www.oregon.gov/dor](http://www.oregon.gov/dor). Or call 503-378-4988 (Salem) or 1-800-356-4222 (toll-free from an Oregon prefix).

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### Have questions? Need help?

**General tax information** ..... [www.oregon.gov/dor](http://www.oregon.gov/dor)  
Salem ..... 503-378-4988  
Toll-free from an Oregon prefix ..... 1-800-356-4222

**Asistencia en español:**

En Salem o fuera de Oregon ..... 503-378-4988  
Gratis de prefijo de Oregon ..... 1-800-356-4222

**TTY (hearing or speech impaired; machine only):**

Salem area or outside Oregon ..... 503-945-8617  
Toll-free from an Oregon prefix ..... 1-800-886-7204

**Americans with Disabilities Act (ADA):** Call one of the help numbers above for information in alternative formats.

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