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A reduced tax rate is available if you sold or exchanged capital assets used in farming activities. The sale or exchange must end all your ownership interests in a farming business, or stop all your ownership interests in property that is used in a farming business. If you have a net loss from the sale or exchange from **all** assets during the year, you will not qualify for the reduced rate on the sale of farm assets.

Farming activities include:

- Raising, harvesting, and selling crops.
- Feeding, breeding, managing, or selling livestock, poultry, fur-bearing animals, or honeybees, or the produce thereof.
- Dairying and selling dairy products.
- Stabling or training equines, including providing riding lessons, training clinics, and schooling shows.
- Breeding, growing, maintaining, or harvesting aquatic species, birds, and other animal species.
- Growing and harvesting cultured Christmas trees or certain hardwood timber.
- On-site constructing and maintaining equipment and facilities used in farming activities.
- Preparing, storing, or disposing of products or by-products raised for human or animal use on land employed in farming activities.
- Any other agricultural activity, horticultural activity, animal husbandry, or any combination of these three.

Farming activities **do not** include growing and harvesting trees of a marketable species other than growing and harvesting cultured Christmas trees or certain hardwood timber.

You may not claim the reduced tax rate on a sale or exchange to a relative, as defined under Internal Revenue Code Section 267. A farm dwelling or farm home site is not considered to be property used in the trade or business of farming.

**Partnerships or S corporations.** The sale of ownership interests in a farming corporation, partnership, or other entity qualify for the reduced tax rate. The taxpayer must have had at least a 10 percent ownership interest in the entity before the sale or exchange.

**Worksheet FCG, Farm Capital Gain**

Follow the steps in the worksheet below to determine your qualifying farm assets' net long-term capital gain (NLTCG).

The NLTCG eligible for the reduced tax rate is computed as follows:

A. Enter your NLTCG from farm assets.....	A		
B. Enter the gain included in Oregon income or from the Oregon column of Form 40N or Form 40P .....	B		
C. Enter the smaller of A or B here and on line 2 below .....	C		

1. Oregon taxable income .....	1		
2. Farm NLTCG from line C above.....	2		
3. Modified taxable income. Line 1 minus line 2. If line 2 is more than line 1, enter -0- .....	3		
4. Oregon tax on the amount on line 3.....	4		
5. Enter the smaller of line 1 or 2 above .....	5		
6. Multiply line 5 by 5 percent (0.05).....	6		
7. Add lines 4 and 6. This is your Oregon tax. Enter the result here and on your Oregon return. Check the box on your Oregon return labeled "Worksheet FCG" .....	7		
8. <b>Form 40P filers only.</b> Compute your Oregon income tax by multiplying line 7 by your Oregon percentage. This is your Oregon tax. Enter the result here and on your Oregon return. Check the box on your Form 40P labeled "Worksheet FCG" .....	8		