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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 don't 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 OR-40 filers:
 - A copy of your Oregon tax return for the year the income was taxed plus any amended returns or adjustment notices. The amount of **Oregon tax before credits** from this return will go on line 5 below.
- Form 40N, OR-40-N, 40P, or OR-40-P filers:
 - A copy of your Oregon tax return for the year the income was taxed plus any amended returns or adjustment notices. The amount of **Oregon tax before credits** from this return will go on line 5 below.
 - A blank form for that tax year. You must complete another Form 40N, OR-40-N, 40P, or OR-40-P 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. Don't adjust any other items on the return. You must recalculate amounts using the revised Oregon percentage. Complete the return through the section "Total tax before credits" to figure your total tax. **Don't file this return.** Use this return only for the purpose of calculating claim of right. The amount of **Oregon tax before credits** from this return will go on line 4 below.

Claim of Right credit worksheet—Refer to the tax year table on the next page for lines 1 through 6 below.

1. Enter your Oregon taxable income, as amended or adjusted, for **the year the income was taxed**. Form 40N, OR-40-N, 40P, or OR-40-P 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 OR-40 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-40-N, 40P, or OR-40-P filers—Enter your Oregon tax before credits from **the return you completed without** the income that was repaid 4.
5. Enter your Oregon tax before credits from **the return you filed**, as amended or adjusted 5.
6. Line 5 minus line 4. This is your Oregon claim of right credit. Follow the instructions in the tax booklet for the year you made the repayment to determine how to claim the credit on your Oregon return. 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.

Don't include this form with your Oregon return. Keep it with your tax records.

Claim of Right credit worksheet tax year table

	Tax year	Form line number
Worksheet line #1 —If income was taxed in:	2014 and prior	Form 40, line 28
	2015	Form 40, line 21
	2016	Form OR-40, line 21
Worksheet line #4 —If the form you just completed was for tax year:	2014 and prior	Form 40N, line 53; or Form 40P, line 52
	2015	Form 40N, line 51; or Form 40P, line 50
	2016	Form OR-40-N, line 50; or Form OR-40-P, line 49
Worksheet line #5 —If the return you filed was for tax year:	2014 and prior	Form 40, line 32; Form 40N, line 53; or Form 40P, line 52
	2015	Form 40, line 24; Form 40N, line 51; or Form 40P, line 50
	2016	Form OR-40, line 24; Form OR-40-N, line 50; or Form OR-40-P, line 49
Worksheet line #6 —If the year you made the repayment was for tax year:	2014 and prior	Form 40, line 43; Form 40N or 40P, line 60
	2015 and forward	Schedule OR-ASC section 5 or Schedule OR-ASC-N/P section 7

Example 1

In 2014, Sophie repaid \$10,000 of pension income originally received in 2011. She claimed the Claim of Right credit on her 2014 federal return. Her 2011 Oregon tax return wasn't amended or adjusted and it shows Oregon taxable income of \$40,000 and Oregon tax before credits of \$3,388.

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 40N, OR-40-N, 40P, or OR-40-P 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. Form 40 or OR-40 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-40-N, 40P, or OR-40-P filers —Enter your Oregon tax before credits from the return you completed without the income that was repaid	4.	\$2,488
5. Enter your Oregon tax before credits from the return you filed , as amended or adjusted.....	5.	\$3,388
6. Line 5 minus line 4. This is your Oregon claim of right credit. Follow the instructions in the tax booklet for the year you made the repayment to determine how to claim the credit on your Oregon return.....	6.	\$900

Sophie completes the worksheet and determines that the tax in 2011 on \$30,000 (previous taxable income minus the amount she repaid) would have been \$2,488. This is a difference of \$900 (line 6 of the credit worksheet). Sophie will follow the instructions for the 2014 Form 40 (the year she repaid the income) to claim her \$900 credit.

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Example 2

During 2014 Chris was a full-year resident and repaid \$25,000 of compensation originally received in 2008. He claimed the Claim of Right credit on his 2014 federal return. During 2007, Chris filed an Oregon Form 40N for nonresidents. In 2008, \$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 2008 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 2008 returns to calculate his credit.

In 2008 he originally had wages of \$225,000 in the federal column and \$80,000 in the Oregon column. Chris will refigure his 2008 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 40N, OR-40-N, 40-P, or OR-40-P 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.	N/A
3. Line 1 minus line 2. This is your Oregon taxable income without the repaid income	3.	N/A
4. Form 40 or OR-40 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-40-N, 40P, or OR-40-P filers —Enter your Oregon tax before credits from the return you completed without the income that was repaid	4.	\$5,870
5. Enter your Oregon tax before credits from the return you filed , as amended or adjusted.....	5.	\$6,766
6. Line 5 minus line 4. This is your Oregon claim of right credit. Follow the instructions in the tax booklet for the year you made the repayment to determine how to claim the credit on your Oregon return.....	6.	\$896

Chris will follow the instructions for the 2014 Form 40N (the year he repaid the income) to claim his \$896 credit.

Example 3

During 2014, Theresa was a full-year resident and repaid \$5,000 of pension income originally received in 2011. During 2011, she filed an Oregon Form 40N for nonresidents and had no income taxable to Oregon. Theresa can't claim a credit on her 2014 Oregon return for the pension income she repaid during 2014, because Oregon didn't tax the income in 2011.

Claim of Right deduction

[Addition code 103] [Modification code 649]

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. Enter your net Oregon itemized deductions as reported on your return*.....	1.	
2. Enter the federal deduction for claim of right included on federal Schedule A, line 28.....	2.	
3. Line 1 minus line 2. This is your Oregon itemized deductions without the claim of right deduction.....	3.	
4. Enter your Oregon standard deduction.....	4.	
5. Is line 3 larger than line 4? <input type="checkbox"/> Yes. Enter zero. <input type="checkbox"/> No. Enter line 4 minus line 3.....	5.	
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.	

*For tax year 2012 and prior, add the special Oregon medical deduction claimed on Form 40N and 40P, line 46, to the amount on line 43.

Form 40 or OR-40 filers: Enter the amount from line 6 in section 1 of Oregon Schedule OR-ASC using code 103.

Form 40N, OR-40-N, 40P, or OR-40-P filers: Follow the instructions in the tax booklet for **the year you made the repayment** to determine how to claim the addition on your Oregon return. Clearly place a minus sign in front of the number, as the addition is reducing your total deductions and modifications.

Claim of Right addition worksheet tax year table

	Tax year	Form line number
Addition worksheet line #1 —Oregon itemized deductions	2014 and prior	Form 40, line 25; Form 40N or Form 40P, line 43*
	2015	Form 40, line 18; Form 40N or Form 40P, line 39
	2016	Form OR-40, line 18; Form OR-40-N or Form OR-40-P, line 39
Addition worksheet line #4 —Oregon standard deduction	2014 and prior	Form 40, line 26; Form 40N or Form 40P, line 44
	2015	Form 40, line 19; Form 40N or Form 40P, line 40
	2016	Form OR-40, line 19; Form OR-40-N or Form OR-40-P, line 40
Where to put amount from line #6	2014 and prior	Form 40, line 10, use addition code 103; Form 40N or Form 40P, line 46 (use as a negative amount), use modification code 649
	2015 and forward	Schedule OR-ASC, section 1, use addition code 103; Schedule OR-ASC-N/P, section 4, use modification code 649

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Example 4

In 2014, Adam was required to repay \$5,000 of unemployment income received in 2013. On his 2014 federal return, he included the claim of right deduction on Schedule A for \$5,000. The federal deduction was more beneficial because he was in a higher tax bracket in 2014 than he was for 2013. 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 2013. Because Adam claimed the deduction on his 2014 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 2014 federal itemized deductions of \$20,000, less \$12,000 of Oregon taxes, leaves him with Oregon itemized deductions of \$8,000.

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

1. Enter your net Oregon itemized deductions as reported on your Oregon return.	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.....	4.	\$3,405
5. Is line 3 larger than line 4? <input type="checkbox"/> Yes. Enter zero. <input checked="" type="checkbox"/> No. Enter line 4 minus line 3.....	5.	\$405
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.	\$4,595

Since Adam's itemized deductions would have been less than his standard deduction of \$3,405, his addition is reduced. He only has to add back the benefit received of \$4,595. 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 or OR-40 filers

Complete your Oregon Form 40 or OR-40 to figure your **Oregon taxable income**, 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 or OR-40	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.	

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Compare lines 6 and 7. If line 7 is the same or less than line 6, don't 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.

Deduction worksheet for Form 40N, OR-40-N, 40P, or OR-40-P filers

Complete two Oregon 40N, OR-40-N, 40P, or OR-40-P 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 modification is claimed as a negative amount, so be sure to put a minus sign in front of the amount. If your federal deduction is claimed elsewhere on the federal return, your addition will be the amount corresponding to the deduction claimed in each column. Follow the form instructions for the tax year you repaid the income to determine how to report your modification or addition on your Oregon return. Complete the return through the Oregon tax **total tax before credits** line of your return.

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

1. Enter the amount from the **total tax before credits** line from the **first** return. 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 **total tax before credits** line from the **second** return. 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, don't 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 or OR-40 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.	\$4,595
	3.	\$140,495
	4.	\$12,183
	5.	\$450
	6.	\$11,733
	7.	\$11,769

Because line 7 is more than line 6, Adam benefits more by claiming the credit for Oregon. Therefore, he will claim the addition of \$4,595 his 2014 Oregon return using the instructions for 2014 Form 40. Then he'll include the claim of right credit of \$450 to indicate that he has a claim of right credit.

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Example 6

In 2014, Megan, an Oregon nonresident, repaid \$30,000 of compensation originally received in 2011. She was also a nonresident in 2011 and \$20,000 of the compensation she repaid was taxable to Oregon. Megan claimed the \$30,000 repayment as an itemized deduction on her 2014 federal Schedule A. Now she needs to decide whether to let the federal Schedule A deduction flow through for Oregon or claim the credit. When she refigures her 2011 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 40N, OR-40-N, 40-P, or OR-40-P 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. Form 40 or OR-40 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-40-N, 40P, or OR-40-P filers —Enter your Oregon tax before credits from the return you completed without the income that was repaid	4.	\$3,470
5. Enter your Oregon tax before credits from the return you filed , as amended or adjusted.....	5.	\$5,250
6. Line 5 minus line 4. This is your Oregon claim of right credit. Follow the instructions in the tax booklet for the year you made the repayment to determine how to claim the credit on your Oregon return.....	6.	\$1,780

Megan completes the worksheet and determines that the tax difference in 2011 on the \$20,000 of repaid income is \$1,780. Megan's 2014 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. Enter your net Oregon itemized deductions as reported on your Oregon return.	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.....	4.	\$3,405
5. Is line 3 larger than line 4? <input checked="" type="checkbox"/> Yes. Enter zero. <input type="checkbox"/> No. 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 2014 Oregon Form 40N returns. The **first** return she completes is a 2014 Form 40N adding back the federal deduction using the instructions for 2014 Form 40N. Her tax before credits on Form 40N is \$3,783. Megan completes a **second** 2014 Form 40N with the federal deduction included in itemized deductions and determines her tax before credits is \$2,163.

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Example 6: Megan's deduction worksheet

1. Enter the amount from the total tax before credits line from the first return. 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 credit worksheet (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 total tax before credits line from the second return. 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 add back the \$30,000 federal deduction using the instructions for 2014 Form 40N. Then she'll include the claim of right credit of \$1,780 to indicate that she has a claim of right credit.

Example 7

Shannon, an Oregon nonresident, repaid \$10,000 in 2014 of Oregon unemployment originally received in 2013. She was a part-year resident in 2013 and all of the income she repaid was taxable to Oregon. Shannon claimed the \$10,000 repayment as an itemized deduction on her 2014 federal Schedule A. She has no Oregon source income in 2014, so she wouldn't benefit from allowing the deduction to flow through to her Oregon return and will instead claim the Oregon credit.

Shannon must complete another 2013 Oregon Form 40P return through the **total tax before credits** line 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 2014 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 40N, OR-40-N, 40-P, or OR-40-P 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. Form 40 or OR-40 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-40-N, 40-P, or OR-40-P filers —Enter your Oregon tax before credits from the return you completed without the income that was repaid ... 4.	\$4,470
5. Enter your Oregon tax before credits from the return you filed , as amended or adjusted..... 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 if there is a box to check 6.	\$900

Shannon will add back the \$10,000 federal deduction and claim a \$900 claim of right credit following the instructions for 2014 Form 40N.

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

Do you have questions or need help?

www.oregon.gov/dor
 (503) 378-4988 or 1 (800) 356-4222
 questions.dor@oregon.gov

Contact us for ADA accommodations or assistance in other languages.

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