Oregon income tax withholding

OREGON DEPARTMENT OF REVENUE

December 2015 **www.oregon.gov/dor**

By law Oregon Revised Statues (ORS) 316.167, all Oregon employers must withhold tax from employee wages at the time employees are paid. The Oregon Department of Revenue provides tables to figure the amount of tax to withhold each pay period. The amount withheld depends on the employee's wages, filing status, and number of withholding allowances claimed.

New legislation

Effective for tax year 2013 and forward, House Bill (HB) 3601 eliminated all exemption credits if your federal adjusted gross income is more than $100,000 for single or married filing separately returns, or more than $200,000 for married filing joint or head of household returns.

What are the tables designed to do?

Oregon's withholding tables estimate the tax due on your wages. The tables consider your wages, filing status, and number of withholding allowances claimed. Your employer gets this information from your federal Form W-4. It is the same information used for the federal withholding calculation, unless you ask that different information be used for Oregon withholding.

In some cases, the tables might not represent your total tax liability. If you meet one of the following qualifications, the amount of withholding might be higher or lower than your actual tax liability:

- You are in a dual-earner household filing a joint return;
- You have more than one job;
- You have large amounts of nonwage income;
- You have large deductions;
- You claim federal credits that don't apply to Oregon, such as federal child tax credit; or
- You claim Oregon credits not accounted for on the federal tax form, such as Oregon Working Family Child Care Credit.

Does the amount withheld equal your tax liability?

In most cases, Oregon withholding is close to your actual Oregon tax liability. However, there are some cases when Oregon withholding may be too high or too low. The most common cases are discussed below.

- When a household has two wage earners or a wage earner with more than one job, Oregon withholding might be too low. This is because the withholding tables are designed for households with a single wage earner with a single job. When a household has two workers filing a joint return, or a worker with more than one job, the withholding tables apply the top tax rate to too little of the combined income. Also, the subtraction for federal income taxes paid will be made for each job, but it should be made only once. These conditions cause Oregon withholding to be lower than the taxpayer's actual Oregon tax liability.
- When you have large amounts of nonwage income such as interest, dividends, or capital gains, withholding will be too low. That is because no withholding is made for the nonwage income. For example, if you receive half of your income from wages and half from capital gains, then your Oregon withholding will be only about half of your actual tax liability because no withholding is made for capital gains.
- When you have unusually large deductions, federal and Oregon withholding will be too high. That's because the withholding tables don't take into account your larger deductions. Even if you adjust federal Form W-4 to claim more withholding allowances, Oregon withholding might still be too high. That is because an additional withholding allowance reduces federal withholding proportionally more than Oregon withholding. This means if you adjust your withholding allowances to make federal withholding accurate, Oregon withholding might still be too high.

What can you do if your Oregon withholding is too high or too low?

If Oregon and federal withholding are too high or too low, file a revised federal Form W-4 with your employer. If withholding is too high, claim more withholding allowances. If withholding is too low, claim fewer allowances. The revised W-4 will affect both Oregon and federal withholding in the same direction.

If federal withholding is close to your tax liability but Oregon withholding isn't, the adjustment can still be made by filing a revised federal Form W-4. Write "For Oregon Only" across the top of the form. This will tell your employer to change your Oregon withholding only. Again, if Oregon withholding is too high, claim more withholding allowances. Each additional allowance will reduce your withholding for the year by about $200. If withholding is too low, claim fewer allowances or show an additional dollar amount to be withheld. If you choose to have an additional amount withheld, take "last year's tax to pay" amount and divide it by the number of pay periods.

If you claim federal credits that don't apply to Oregon such as the federal child tax credit or you claim Oregon credits not allowed on the federal tax form, such as the Oregon Working Family Child Care Credit, use the Oregon Personal Allowances Worksheet below to adjust your Oregon withholding.

Withholding adjustment guidelines

Caution: Use these guidelines **only** if you didn't have enough withholding taken out last year to cover your state income tax. Or, use them if your income has changed so that you won't have enough withholding taken out this year.

If you file "married filing jointly," only **one** spouse should use these guidelines. If you file any other status, use the guidelines for only **one** job.

Have questions? Need help?

General tax information .... 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.

Oregon personal allowances worksheet (W-4)

Purpose: Oregon taxpayers should use this worksheet if:

(a) They claim federal credits that don't apply to Oregon, such as the federal Child Tax Credit (line G on the W-4 form); or
(b) They claim Oregon credits not allowed on the federal tax form, such as the Oregon Working Family Child Care Credit.

Caution: This will approximate the number of allowances for Oregon but may still result in a tax due or a refund.

1. Enter the number of federal allowances claimed on federal Form W-4 personal allowances worksheet, line H... __________
2. Enter the number of allowances included in line 1 (above) for federal credits (lines F and G on federal W-4 personal allowances worksheet, page 1), **and/or** (line 5 on federal W-4 deductions and adjustments worksheet, page 2) .... __________
3. Subtotal. Line 1 minus line 2 .... __________
4. Enter estimated amounts for your Oregon credits

   Earned income .... __________
   Working family child care......................... __________
   Retirement income .... __________
   Child/dependent care............................. __________
   Credit for elderly/disabled .... __________
   Political contribution............................... __________
   Income tax paid to another state............. __________
   Other... __________
   Total Oregon credits .... __________

5. Compute allowances for Oregon credits. Divide total Oregon credits estimate (above) by $194. Drop any fraction and enter result here .... __________
6. Oregon allowances. Line 3 plus line 5 .... __________

Enter this figure on line 5 of Form W-4 and label "For Oregon only"