Tax Tips You Can Use

New Oregon Residents should pay estimates
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This time of year, many new Oregon residents get a rude shock. The state of Oregon expects everyone to pay their taxes through the year, even recent part year residents. So if you or your friends, neighbors or family members become residents this year, it would be wise to see a tax professional to make sure that, in April, there is no penalty for not filing estimated Oregon tax payments.

There are certain types of income that follow you to where you reside. The biggest one is your pension(s). A person who moves from California to Oregon on May 1 will have 4 months of pension income in California and 8 months of pension income in Oregon. Each state will want it's tax. That same rule applies to alimony, interest and dividends. Other types of income stay in the state where it was earned, like wages or rentals. It is called the source of the income. If an Oregon resident gets income from a rental in California, the taxpayer has to file in California as a non-resident to account for the rental income and file in Oregon as a resident of Oregon. Don't worry, one state gives you credit for the tax you pay in the other state so you don't get double taxed on the same money.

Two other problems are common for new residents. The first is that many people invest in tax-free municipal bonds to get interest that is free from Federal and state taxes. That works great until you move. Oregon only allows tax free interest on Oregon based municipal bonds. A California resident who has CA Muni bonds and moves to Oregon loses the state tax-free status. The taxpayer needs to sell those bonds and buy Oregon based bonds to keep the same tax treatment. The (sort of) good news is that since Oregon seems to have a lower credit rating the interest rate may be higher.

The last problem to mention is one that many retirees know all too well. It seems that no state likes giving money to another state. Every retiree client I have who has an out of state pension, makes estimates, because whether it is the CA teachers, the county of Marin, The LA police department or the Arizona PERS, no state tax will be withheld for Oregon. My understanding is that Oregon does the same thing to other states- they won't take out tax to give to another state. Recent residents need to check with their sources of income to ensure that tax is not going to the former state and Oregon tax is being withheld. If Oregon tax cannot be withheld, they need to start making estimates to ensure the state tax is being paid appropriately.

If you forget, your tax preparer will give you the bad news.

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The fine print: This article is for information only. Please see your tax professional for questions about your individual tax situation.