



Center for the Women of New York

Financial Literacy Series
Tax Workshop Part 3
NYS Personal Income Tax Overview



Hosted by

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Guest Speaker

Kathleen M. Carroll, E.A.

Center for the Women of New York

The Center for the Women of New York advocates for women's rights and full equality for women. Since 1987 CWNY has been empowering women to reach their full potential by offering services that provide the skills, information, and support they need to address economic, emotional, and legal challenges.





Given the vast women's needs due to the pandemic, in 2021, CWNY's focus is Women's Health and Wellbeing (physical and mental) and Women's Financial Independence.



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- Trafficking Awareness
- Health and Wellness
- Financial Literacy and Independence
- Career Advancement



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- Caregiver Support Group
- Women in Crisis Support Group
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- Legal Team
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- Referrals



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- Career Conference
- Women's Art Exhibit
- Green Team-Sustainable Gardening classes and activities
- Book Club (Women's issues)
- Film Club (Women's issues)



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KATHLEEN M. CARROLL, E.A.

Kathy is a professional Accountant (Enrolled Agent to practice before the Internal Revenue Service). She has been practicing Accounting and providing Bookkeeping Services since 1981 to the present. She works with individual and corporate clients.

She directed and ran the Student Association Income Tax Preparation Program at Queens College for twenty-six years (1983-2009). She also ran an annual seminar at the International Students and Scholars Office at Queens College (2008-2017). These programs provided free, on-campus tax prep and advice to students.

She received a B.S. in Accounting from the C.W. Post Center of Long Island University and attended a graduate program at New York University.

KATHLEEN M. CARROLL, E.A.

Kathy volunteers at the Center for the Women of New York as current Treasurer and former Vice President of Finance. She provides job and vocational training, presents at our Financial Literacy Programs, and is the CWNY Work Readiness Program Advisor.

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TAX TRAUMA TERMINATED

Part 3

New York State Personal Income Tax - Overview

New York State Personal Income Tax- Income and Deductions

In Parts 1 & 2 of our Tax Trauma Terminated series, the focus was on the Federal Income Tax administered by the Internal Revenue Service. When most people think of taxes, they think of these federal forms. But of course there is more to our annual tax filings than the IRS, New York State wants its share of your hard earned dollars as well.

Background Information

Nearly every state in the United States has a personal income tax. There are only seven states with no income tax, and these states are in the south and west (Alaska, Florida, Nevada, South Dakota, Texas, Washington and Wyoming). As residents of New York, we often feel we are heavily taxed. In fact, New York State is only seventh highest taxed in the country, with a top rate of 8.82 %. The highest state tax rate in the country is California, with a top rate of 13.3%.

Filing

Filing a New York State return can seem very automatic when using a tax preparation program such as Turbo Tax or TaxAct. One fills in all the information for the federal 1040 tax return, and almost without effort the New York State return appears as well. This certainty saves time in preparing the state return, but if care is not taken to understand and review the state return, errors can occur and refund dollars can be lost.

State Forms

The two major New York State Forms are IT-201 and IT-203. The IT-201 is the New York State Resident Form for taxpayers who live in New York State. The IT-203 is for part year resident and nonresident taxpayers. One may ask, why would a nonresident have to file a New York State return? If you work in New York and live in another state, you must file a New York nonresident return as well as a return for the state in which you live.

Federal vs. State

As already mentioned, most information and income for your New York State return will be similar to what you are putting on your federal return. As with the federal filing, all income information will be found on your form W2, various 1099s, and other annual tax documents. When doing your own taxes with a tax program, be sure to input the information carefully and review it carefully before submitting your efile. Once it is sent, you can't get it back!


Federal vs. State

Although the federal and state returns are generally similar, there are some significant differences. New York State is not obligated to follow the IRS rules of taxation, and in many cases it does not. This is called “decoupling”, where the state is going to treat certain tax items differently than the IRS does. In some cases, this “decoupling” benefits the taxpayer; in other cases it does not.

Examples of NYS differences in Income

The first section of the IT-201 is basically a recap of the income shown on the federal return. The next two sections of the NYS return are additions and subtractions. The most common additions to NYS income are known as “414H” and “NYC “IRC125”. Both of these items can be found in Box 14 of the W2 for most city and state workers including teachers, police officers, sanitation workers, and any other municipal employees.

Sample W2

a Employee's social security number		bills, accurate, FAST! Use  Visit the IRS website at www.irs.gov/efile			
b Employer identification number (EIN)		1 Wages, tips, other compensation	2 Federal income tax withheld		
c Employer's name, address, and ZIP code		3 Social security wages	4 Social security tax withheld		
		6 Medicare wages and tips	8 Medicare tax withheld		
		7 Social security tips	8 Allocated tips		
d Control number	9	10 Dependent care benefits			
e Employee's first name and initial Last name Suffix		11 Nonqualified plans			
		13a	13b See instructions for box 12		
		13b	13c		
		14 Other	13d		
f Employer's address and ZIP code		13e	13f		
15 State Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locally paid

Form **W-2** Wage and Tax Statement **2020** Department of the Treasury—Internal Revenue Service
 Copy B — To be filed with Employer's FEDERAL Tax Return.
 This information is being furnished to the Internal Revenue Service.

Why add or subtract? Additions

Although the “414H” amount must be added to NYS income in the present, the reason has to do with the future. This W2 figure represents the amount that will be part of the City employee’s pension when they retire. As we will see shortly, New York State does not tax any portion of a municipal pension (federal government, NYS and NYC) once the person actually retires. So since it is tax free later, the state feels they must tax it now in yearly increments.

Why add or subtract? Subtractions

As mentioned, New York State does not tax any portion of a municipal pension once a person retires. Additionally, the state does not tax the first \$20,000 of any private pension received by a taxpayer (\$40,000 for a joint return for separate pensions). Interest earned on United States Savings Bonds has to be subtracted; additionally, any social security benefits taxed by the IRS have to be removed from the New York State return.

Standard deduction amounts for NYS

New York State standard deduction table	
Filing status <i>(see page 14)</i>	Standard deduction <i>(enter on line 34)</i>
① Single and you marked item C Yes	\$ 3,100
① Single and you marked item C No	8,000
② Married filing joint return	16,050
③ Married filing separate return	8,000
④ Head of household (with qualifying person)	11,200
⑤ Qualifying widow(er)	16,050

Federal vs. State - Standard Deduction

The chart in the previous slide shows us the Standard Deduction amounts for New York State. These amounts are significantly lower than the federal amounts. For example, the standard deduction for a single person on the federal level is \$12,400. What this means in real terms is that if one earned \$12,400 in 2020, technically they do not have a filing requirement on the federal level, but would definitely have to file an NYS return due to the lower standard deduction of \$8,000.

Dependents

Unlike the IRS, New York State permits a \$1,000 dependent exemption for each dependent (not including the taxpayer(s) themselves). The IRS has not permitted a dependent exemption since the onset of the Tax Cuts and Jobs Act (TCJA) in 2017.

Federal vs. State - Itemized Deductions

Due to the \$10,000 cap on real estate taxes on the federal level (part of the TCJA), and the high federal standard deduction, many taxpayers, even those who own homes, are no longer able to itemize their deductions on their federal return. However, the taxpayer **may** be able to itemize on the state return. For example, a single taxpayer with \$11,000 in real estate taxes and no other deductions would be able to itemize on the state but not on the federal return. **By itemizing on the state return, the taxpayer is likely to receive a larger refund.**

Deductions - continued

A new deduction available to standard deduction filers on the federal return is not available on the state return and must be added back. This is the \$300 charitable contributions deduction that is available for the 2020 tax year.

New York State Credits

New York State has many of the same credits that are available on the federal level. As discussed in Part 2 of our series, a credit reduces one's tax on a dollar for dollar basis. Some of these credits are just percentages of what is calculated on the federal return.

For example, although a separate form (IT-215) must be filed for the NYS Earned Income Credit, the end result is that the NYS credit is 30% of the federal earned income credit.

Credits - continued

Some credits have different requirements for NYS than they do for the federal return. For example, the Child Tax Credit is available on the federal return for all children under the age of 17 including children born in 2020. For NYS, the Child Tax Credit is not available until the child is four years old. Similarly, the Education Credit is available to both undergraduate and graduate students through the American Opportunity Credit and the Lifetime Learning Credit. On the New York State return, this credit is only available to undergraduate students.

Credits - continued

New York State (and New York City through the NYS return) have some credits that are unique to the state and the city. An example of one of these credits is Clean Heating Fuel (Form IT-241), which allows a taxpayer using home heating oil to obtain a credit based on the number of gallons used during the year. Taxpayers should ask their oil company to provide a letter showing the number of gallons used for “bioheat”.

Credits - continued

Another credit available from New York City (administered through the state return) is a city school tax credit (\$63 for single taxpayers and \$125 for joint returns). This credit is refundable to non-filers and well as taxpayers. The credit refund can be obtained by filing form NYC-210.

The full list of available credits and their corresponding forms can be found on pages 8-9 in the instructions for form IT-201. These instructions can be found on the NYS Tax Dept. website tax.ny.gov.

In addition to all forms and instructions, this website provides a huge amount of information about taxes and tax-related matters.

New York City and Yonkers

The City of New York and the City of Yonkers use the NYS tax forms to collect and administer their city taxes. The maximum New York City tax rate is currently 3.876%. New York City employees (police, fire, teachers, sanitation workers) who live outside the city limits must file Form 1127 with their NYS return in order to pay their New York City tax.

E-file Mandate

Both the IRS and New York State have e-file systems for filing returns. While the IRS strongly recommends e-file, New York State has mandated the e-file. For this reason, many tax programs will allow the state return to be e-filed even if the federal return is printed and mailed at the post office. However, it has been my experience that New York State will not reject a paper return, particularly if it includes a check!



Q & A

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RESOURCES

NYS Department of Taxation

tax.ny.gov

Internal Revenue Service

irs.gov

E-File

e-file.com

American Savings Education Council & Choose to Save

asec.org

Financial Literacy & Education Commission

mymoney.gov

Pension & Welfare Benefits Administration

<https://www.dol.gov/general/topic/retirement>

Social Security Administration

socialsecurity.gov

Women's Institute for Financial Education

wife.org

Women's Institute for a Secure Retirement

wiserwomen.org

AARP

aarp.org

Thank You!



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