

CENTER FOR THE WOMEN OF NEW YORK

501(c)(3) Nonprofit Organization

Empowering and Supporting Women Since 1987





**CENTER FOR
THE WOMEN
OF NEW YORK**

FINANCIAL LITERACY SERIES

NYS INCOME TAX & WRAP-UP

Guest Speaker: Kathy Carroll, E.A.

CWNY MISSION

The Center for the Women of New York empowers, supports, and advocates for women who face financial, housing, food insecurity, health, violence, social, emotional, or legal problems. We help them by understanding their needs and connecting them with the CWNY services, nonprofit partner organizations, and city agencies they need to overcome their challenges.



WHO WE ARE

We are a nonprofit 501(c)(3) organization dedicated to women empowerment and gender equality since 1987. CWNY's Volunteers, Members, Sponsors, Advisory Board, and Board of Directors altogether make CWNY's mission possible.



CWNY PHILOSOPHY

Our philosophy is that when we help women, families become self-sufficient, making our entire community stronger.

CENTER FOR THE WOMEN OF NEW YORK

WOMEN IN CRISIS SUPPORT

ONE ON ONE SESSION WITH A LICENSED SOCIAL WORKER
BILINGUAL SPANISH AND ENGLISH



Call 718-793-0672 and leave us a message or Email events@cwny.org with subject "one on one social worker sessions"

Please include your name and phone number and/or email address and we will get back to you as soon as possible.

Please call 911 if you are in immediate danger

CWNY Financial Literacy Series

ME TAX


7TH EDITION

Credits & Deductions Overview

\$\$\$ in Your Pocket!

Join us for the second event of our Financial Literacy Series, in which we will learn about tax credits and deductions: earned income, child credit, dependent care, education

Wednesday, February 17th, 2021
8 - 9pm via Zoom
Guest Speaker, Kathleen Carroll, E.A.
Register via tinyurl.com/financial2021



CENTER FOR THE WOMEN OF NEW YORK

LEGAL SUPPORT TEAM



CONTACT THE LEGAL SUPPORT TEAM AT LEGALSUPPORT@CWNY.ORG
718-793-0672

Legal information
Referral information
Resources
Support groups
and more
ALL FREE OF CHARGE

CENTER FOR THE WOMEN OF NEW YORK

Conversational English as a Second Language (ESL)



For more information:
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CWNY CURRENT SERVICES AND PROGRAMS

- Referrals and Advocate Program
- Financial Literacy Workshop Series
- Career Workshop Series
- Women in Crisis Support Group
- Caregivers Support Group
- One-on-one tax preparation assistance
- ESL Class for Beginners
- Legal Support Team



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cwny.org/past-events



Q & A

Your questions will be addressed after the presentation.

Use the Chat Box at the bottom of your Zoom screen to ask questions.

If you dialed in, email your questions to events@cwny.org



NEW YORK STATE INCOME TAXES

Personal Income Tax -
Overview For 2021 Returns

New York State Personal Income Tax - Income and Deductions

In Parts 1 & 2 of our Income Tax Webinars for 2021 returns, we discussed the Federal Income Tax Return including Income Reporting, Deduction and Credits. Many people might assume that the Federal and State Tax Rules are the same, but that is not always the case.

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 the 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 be 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 certainly 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 lost, or even worse, unnecessary payments might be made by the taxpayer.

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 non resident taxpayers. One may ask, why would a non-resident 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 non-resident 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 IT201 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 addition to NYS income is known as '414H' and "NYC 125". 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		Safe, accurate, FAST! Use OMB No. 1545-0008				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				
				5 Medicare wages and tips		6 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		Suff.		11 Nonqualified plans		12a See instructions for box 12		
						13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b		
						14 Other		12c		
								12d		
f Employee's address and ZIP code										
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 Locality name

Form **W-2** Wage and Tax Statement
 Copy B—To Be Filed With Employee's FEDERAL Tax Return.
 This information is being furnished to the Internal Revenue Service.

2020

Department of the Treasury—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) ones 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.

The Pension Subtraction

It is very important to understand the pension subtraction for New York State. A pension would include such items as IRA withdrawals/distributions; annuity payments from investments, in addition to typical pensions received after retirement from a job. The pension subtraction can be used in combination: for example, if one has a municipal pension, and a private pension of \$20,000 or less, both pension subtractions can be utilized.

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 <i>Yes</i>	\$ 3,100
① Single and you marked item C <i>No</i>	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 for the on the federal level, but would definitely have to file an NYS return due to the lower standard deduction of \$8,000. Unlike the Federal Standard Deduction amounts, which increased slightly for 2021 returns, the NYS Standard deductions have remained the same as in 2020.

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 & Jobs Act 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. **By itemizing on the state return, the taxpayer is likely to receive a larger refund.** NYS Itemized deductions are calculated on Form IT 196, which is part of the IT 201 series.

Deductions- continued

A 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 began in 2020 and is again available for the 2021 tax year on the federal return only.

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 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”.

Long Term Care Credit - Form IT 249

Long term care insurance is sometimes purchased to help offset the potential cost of care in the future. On the federal return, this expense may be included in the deduction for medical expenses. The total amount of medical expenses (including long term care premiums) must exceed 7.5% of one's adjusted gross income before they can be used.

New York State, on the other hand, provides a credit for Long term Care premiums. This credit is obtained with NYS Form IT 249.

Form IT 249

Taxpayers who pay premiums for qualified long-term care insurance may claim a credit against their personal income tax. The credit is equal to 20% of the premiums paid during the tax year for the purchase of or for continuing coverage under a qualifying long-term care insurance policy. For tax years beginning on or after January 1, 2020, the credit has been amended to allow a New York resident taxpayer to claim the credit only if the taxpayer's New York adjusted gross income (NYAGI) is less than \$250,000. The amendment also provides that the credit amount cannot exceed \$1,500.

https://www.tax.ny.gov/pdf/current_forms/it/it249i.pdf

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 6-10 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 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.

Efile Mandate

Both the IRS and New York State have efile systems for filing returns. While the IRS strongly recommends efile, New York State has mandated the efile. For this reason, many tax programs will allow the state return to be efiled 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!

Due Dates for 2021 Returns

Unlike the past two years, when the tax season was significantly extended, there have been no announced extensions for this year. Taxes for 2021 are due on Monday, April 18, 2022 rather than Friday, April 15. This is due to a special holiday, DC Emancipation Day, that is happening on Saturday, April 16 in Washington D.C., and being legally celebrated on Friday, April 15.

A Word About Extensions

Thinking an Extension Means More Time To Pay

The biggest mistake people make when filing a tax extension is understanding what it means to file an extension. Mark Steber, chief tax information officer at [Jackson Hewitt](#), said that usually people think filing an extension means there's more time to file and pay. The reality is it's only more time to file. If taxpayers have a balance due on Tax Day, they have to pay it.

Rob Cordasco, CPA and founder of [Cordasco & Company, PC](#), recommends reviewing your state extension filing rules. "Although most states accept the IRS extension, some do not conform and require you to separately file an extension with the state on their predetermined forms," Cordasco said.

<https://www.aol.com/finance/common-mistakes-people-filing-tax-120011887.html>

Extensions- continued

After filing, you'll need to obtain proof that the extension was filed in a timely manner. Cordasco said, where possible, the extension should be electronically filed. This gives you an electronic confirmation of the IRS receipt and acceptance. If you need to mail the extension form, Cordasco said to send the form to the IRS via certified mail. This provides you with proof of when the form was sent to the IRS and the receipt. Why do you need proof that your tax extension was filed on time? "This information will be critical if there is an error on the form. It will show reasonable cause for your argument on why penalties should not apply," Cordasco said. "We would hope to not have this discussion, but it will be the only course of action for an incorrectly filed extension."

<https://www.aol.com/finance/common-mistakes-people-filing-tax-120011887.html>

Extension Forms

The extension form for the IRS is Form 4868. New York State has its own separate extension form, IT 370. Both of these forms should be sent in with a check for the estimated balance due to avoid penalties and interest.

Happy Filing!

Thanks for attending the Webinar. With only about twelve days left to file, we hope that the Webinar has provided helpful information that will help you to have a smooth tax filing for 2021!



**Thank you,
Kathy Carroll**

UPCOMING EVENTS

CAREER WORKSHOP SERIES

Resume Writing

1st Thursday of each month 12-1PM

FINANCIAL LITERACY SERIES

Income Tax Basics for 2021 Returns

3rd Wednesday of each month 8-9PM



UPCOMING EVENTS

Tax Filing Preparation One on One
March and April



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