

New York State Tax Changes for 2018

The New York State 2018-2019 budget legislation signed into law on April 12, 2018 essentially decoupled New York State tax law from federal tax law and provided state tax relief for many individuals affected by the Tax Cuts and Jobs Act (TCJA), especially those affected by the \$10,000 limitation on state and local tax (SALT) deductions. Beginning with the 2018 tax year, the itemized deductions available for New York State tax purposes will be based upon the federal laws in effect prior to the enactment of TCJA on December 22, 2018.

Below are some of the changes in effect for New York State personal tax returns for 2018:

- Taxpayers can now itemize deductions for New York State tax purposes even if they claim the standard deduction on their federal tax returns.
- A new 3-page Form IT-196 replaces Form IT-201-D for itemized deductions.
- Qualified medical expenses are deductible only to the extent that they exceed 10% of federal AGI (the federal threshold is 7.5% for 2018).
- The \$10,000 limit per tax return on SALT deductions does not apply for New York State income tax purposes.
- Mortgage interest is still deductible on up to \$1 million of home acquisition indebtedness and up to \$100,000 of home equity indebtedness.
- Casualty and theft losses remain deductible following the federal law prior to TCJA.
- Miscellaneous itemized deductions remain deductible to the extent that they exceed 2% of federal AGI.
- The portion of union dues not included as a miscellaneous itemized deduction on Form IT-196, line 21, can be added to the total itemized deductions when computing the New York itemized deduction.
- Qualified moving expenses can be deducted on Form IT-225 on subtraction modification S-135. Other addition/subtraction modifications are in effect for 2018. Please see instructions for Form IT-196 and Form IT-225.
- Child and dependent care credits: For some taxpayers, this credit will increase based upon the 2017-18 budget legislation. Also, the qualified expense limit is now increased to \$7,500 for three qualifying persons and up to \$9,000 for five qualifying persons or more. The federal limit remains at \$3,000 for one qualifying person and \$6,000 for two qualifying persons.
- Various tax credits were added, changed and/or extended for 2018. See IT-648 to IT-650 for new credits.
- The statute of limitations for amended returns filed on or after April 12, 2018 is now the later of one year from the date the amended return was filed or three years from the date the original return was filed.

The above list is not complete and tax practitioners are urged to carefully review the various 2018 individual income tax instructions for further details.