



NYS Training for Tax Preparers

New York State Additions and Subtractions

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New York State Additions and Subtractions

New York Adjusted Gross Income





New York State Additions and Subtractions

What are New York Modifications?

Some types of income that **are not** taxed by the federal government **are** taxed by New York State. These *New York Additions* must be added to the taxpayer's federal Adjusted Gross Income (AGI):

- IT-201 lines 25-31
- IT-203 lines 20-22

At the same time, some types of income that **are** taxed by the federal government **are not** taxed by New York State. These *New York Subtractions* must be deducted from the taxpayer's federal Adjusted Gross Income (AGI):

- IT-201 lines 20-22
- IT-203 lines 24-29



New York State Additions and Subtractions

Section 1: Additions

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Section 1

New York State Additions



New York State Additions and Subtractions

New York State Additions

- Interest income on state and local bonds and obligations (but not those of New York State or its local governments)
- Public employee 414(h) contributions from wage and tax statements
- New York's 529 college savings program distributions
- Other additions not specifically listed



New York State Additions and Subtractions

Interest Income on Bonds and Obligations

The interest income from certain state and local bonds is subject to New York State tax - see TSB-M-95(4)I.

If the interest is subject to tax, enter that amount received by the taxpayer (or that was credited to them during the year) that was **not** included in their federal AGI.

You must also include interest income from tax-exempt bond mutual funds and tax-exempt money market funds that invest in obligations of states other than New York.

Enter these amounts on line 20 of Form IT-201 or IT-203.



New York State Additions and Subtractions

Interest Income on Bonds and Obligations

Do not make this addition for **nonresidents**, unless the addition is attributable to a business, trade, profession, or occupation carried on in New York State.

For **part-year residents**, add the portion of the federal amount they received for the resident period.



New York State Additions and Subtractions

Public Employees 414(h) Contributions

Taxpayers who are public employees of New York State or and of its local governments must enter the amount of any 414(h) retirement contributions shown in box 14 of their federal Form W-2. The box 14 amount must be entered on line 21 of Form IT-201 or IT-203.

Do not enter contributions to a section 401(k) deferred arrangement, section 403(b) annuity, or section 457 deferred compensation plans.



New York State Additions and Subtractions

Who is a Public Employee?

Public employees include members of:

- New York State and Local Retirement Systems
- New York State Employees' Retirement System
- New York State Teachers' Retirement System
- New York State Police and Fire Retirement System
- New York City Board of Education Retirement System
- New York City Police Pension Fund
- New York City Fire Department Pension Fund
- Manhattan and Bronx Surface Transit Operating Authority (MABSTOA) Pension Plan
- SUNY or CUNY employees who belong to the Optional Retirement Program





New York State Additions and Subtractions

New York's 529 College Savings Program

Any non-qualified withdrawals made during the year from an account established under New York's 529 college savings program are subject to tax. Complete the worksheet on Forms IT-201-I or IT-203-I to determine the amount (if any) of the addition. Enter the figures from the worksheet on line 21 of Form IT-203 or line 22 of Form IT-201.

Transfers between accounts of family members not disbursed in cash or in kind within New York's program are not considered distributions.



New York State Additions and Subtractions

What are Non-Qualified Withdrawals?

Any withdrawal from a 529 program that is not used for the higher education of the designated beneficiary is a non-qualified withdrawal. Non-qualified withdrawals do not include withdrawals made as the result of the death or disability of the designated beneficiary.



New York State Additions and Subtractions

Other Additions

Other New York additions are not listed on Forms IT-201 and IT-203. For these, you must enter the applicable item number in the *Identify* area and the total amount of these other additions in the money column. The instructions for Form IT-201 and IT-203 explain how to do this.

For nonresidents and part-year residents, enter the total amounts in the federal amount column. Enter the total portion from New York State sources in the New York State amount column.



New York State Additions and Subtractions

Other Additions - New York City flexible benefits program (IRC 125)

New York City flexible benefits program (IRC 125) is the most common New York State addition.

If the taxpayer's federal Form W-2 (box 14) shows an amount was deducted or deferred from the taxpayer's salary under a flexible benefits program established by New York City or certain other New York City public employers, this amount must be included as a New York addition to income. Use item number A-3 for this addition to income.



New York State Additions and Subtractions

Other Additions - New York City flexible benefits program

Other New York City public employers that may provide a flexible benefits program include:

- City University of New York
- New York City Health and Hospitals Corporation
- New York City Transit Authority
- New York City Housing Authority
- New York City Off-Track Betting Corporation
- New York City Board of Education
- New York City School Construction Corporation
- New York City Rehabilitation Mortgage Insurance Corporation
- Manhattan and Bronx Surface Transit Operating Authority
- Staten Island Rapid Transit Authority





New York State Additions and Subtractions

Knowledge Check

1. The taxpayer's W-2 shows an amount identified as 414(h) in box 14. What do I do with this information?

- don't report this anywhere on the return
- report this on the addition line for Public Employee 414(h)



New York State Additions and Subtractions

Knowledge Check

✓ 1. The taxpayer's W-2 shows an amount identified as 414(h) in box 14. What do I do with this information?

- don't report this anywhere on the return
- report this on the addition line for Public Employee 414(h)

2. One of Henry's children decided not to go to college, so he transferred the money from his New York State 529 College Savings Program into the accounts he set up for his other children.

Does the transferred amount have to be added into his federal AGI?

- Yes
- No



New York State Additions and Subtractions

Knowledge Check

✓ 1. The taxpayer's W-2 shows an amount identified as 414(h) in box 14. What do I do with this information?

- don't report this anywhere on the return
- report this on the addition line for Public Employee 414(h)

✓ 2. One of Henry's children decided not to go to college, so he transferred the money from his New York State 529 College Savings Program into the accounts he set up for his other children.

Does the transferred amount have to be added into his federal AGI?

- Yes
- No

3. The taxpayer has an amount on their W-2 in box 14 identified as IRC125. He works for the New York City Transit Authority. This amount is not included in the taxpayer's federal AGI.

Does he need to report this on his return?

- Yes
- No



New York State Additions and Subtractions

Knowledge Check



- ✓ 1. The taxpayer's W-2 shows an amount identified as 414(h) in box 14. What do I do with this information?
- don't report this anywhere on the return
 - report this on the addition line for Public Employee 414(h)
- ✓ 2. One of Henry's children decided not to go to college, so he transferred the money from his New York State 529 College Savings Program into the accounts he set up for his other children.
- Does the transferred amount have to be added into his federal AGI?
- Yes
 - No
- ✓ 3. The taxpayer has an amount on their W-2 in box 14 identified as IRC125. He works for the New York City Transit Authority. This amount is not included in the taxpayer's federal AGI.
- Does he need to report this on his return?
- Yes
 - No



New York State Additions and Subtractions

Section 2

New York State Subtractions





New York State Additions and Subtractions

New York State Subtractions

To calculate a taxpayer's New York State adjusted gross income, the New York State subtractions are deducted from the taxpayer's federal adjusted gross income. Some examples of New York State subtractions:

- Taxable refunds, credits, or offsets of state and local income taxes
- Pensions of New York State and local governments and the federal government
- Taxable amount of social security benefits
- Interest income on US government bonds
- Pension and annuity income exclusion
- New York's 529 college savings program deduction/earnings
- Other subtractions not specifically listed





New York State Additions and Subtractions

Taxable Refunds, Credits, or Offsets of State and Local Income Taxes

This income is reported on Form 1099-G, *Statement for Recipients of State Income Tax Refunds*. If there is an entry on line 4 of Form 1099-G, enter that same amount on line 25 on Form IT-201 or line 24 of Form IT-203.



New York State Additions and Subtractions

Pensions of NYS and Local Governments and the Federal Government

New York subtractions include any pension received, or distributions made from a pension plan that represents a return of contributions made by the taxpayer prior to retirement. Officers, employees (or beneficiaries of an officer or employee) of the following public entities are covered by this rule:

- New York State, including State and City University of New York and New York State Education Department employees who belong to the Optional Retirement Program
- Certain public authorities, including:
 - Metropolitan Transit Authority Police 20ear Retirement Program;
 - Manhattan and Bronx Surface Transit Operating Authority; and
 - Long Island Railroad Company.
- Local governments within the state
- The United States, its territories, possessions, or any agency or instrumentality of the United States (including the military), or the District of Columbia

Enter these amounts on line 26 of Form IT 201, or line 25 of Form IT-203.



New York State Additions and Subtractions

Pensions of NYS and Local Governments and the Federal Government

New York subtractions include any pension received, or distributions made from a pension plan that represents a return of contributions made by the taxpayer prior to retirement. Officers, employees (or beneficiaries of an officer or employee) of the following public entities are covered by this rule:

- New York State, including State and City University of New York and New York State Education Department employees who belong to the Optional Retirement Program
- Certain public authorities, including:
 - Metropolitan Transit Authority Police 20ear Retirement Program;
 - Manhattan and Bronx Surface Transit Operating Authority; and
 - Long Island Railroad Company.
- Local governments within the state
- The United States, its territories, possessions, or any agency or instrumentality of the United States (including the military), or the District of Columbia

Enter these amounts on line 26 of Form IT 201, or line 25 of Form IT-203.



New York State Additions and Subtractions

Pensions of NYS and Local Governments and the Federal Government

New York subtractions include all distributions received as a nonemployee spouse in accordance with a court-issued qualified domestic relations order or a domestic relations order issued by a New York court.

Do **not** include:

- pension payments or return of contributions that were attributable to the taxpayer's employment by an employer other than a New York public employer
- periodic distributions from government deferred compensation plans



New York State Additions and Subtractions

Taxable Amount of Social Security Benefits

Social security benefits are not taxed by New York State. If there is an entry on line 15 of Form IT-201 or IT-203, enter that same amount on line 27 of Form IT-201 or line 26 of Form IT-203.

See [Publication 36](#) *General Information for Senior Citizens and Retired Persons* for more information.



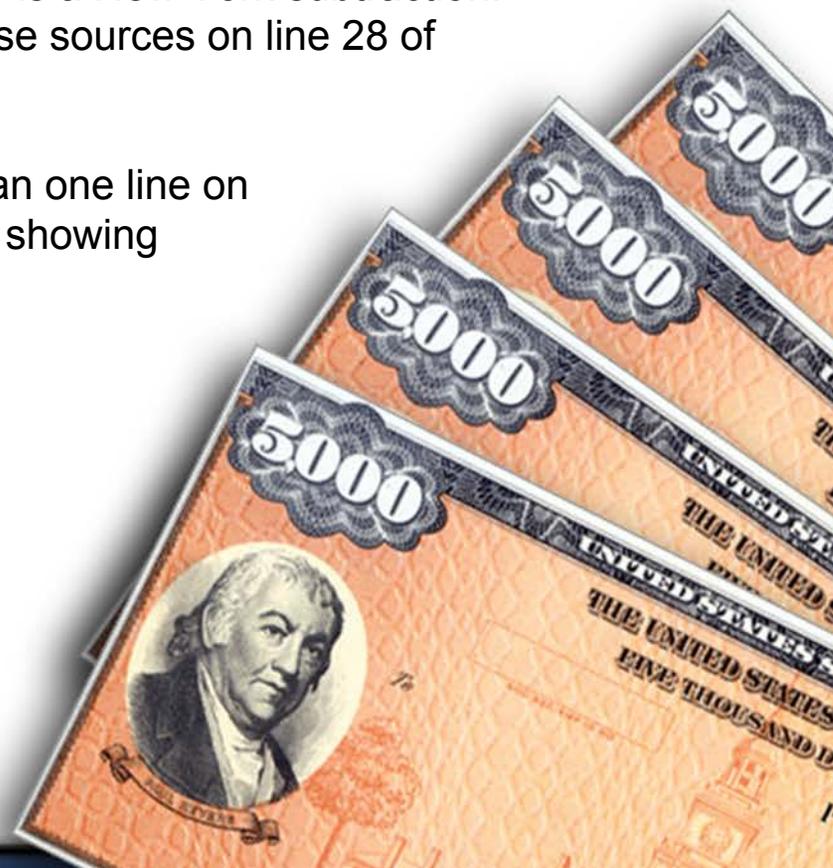
New York State Additions and Subtractions

Interest Income on United States Government Bonds

Interest income from US government bonds or other US government obligations reported on lines 2, 6, or 11 of Form IT-201 or IT-203 is a New York subtraction. Enter the amount of interest income earned from these sources on line 28 of Form IT-201 or line 27 of Form IT-203.

If the amount on this subtraction line is from more than one line on Form IT-201 or IT-203, be sure to submit a schedule showing the breakdown from each line.

See [TSB-M-95\(4\)](#) for more information.





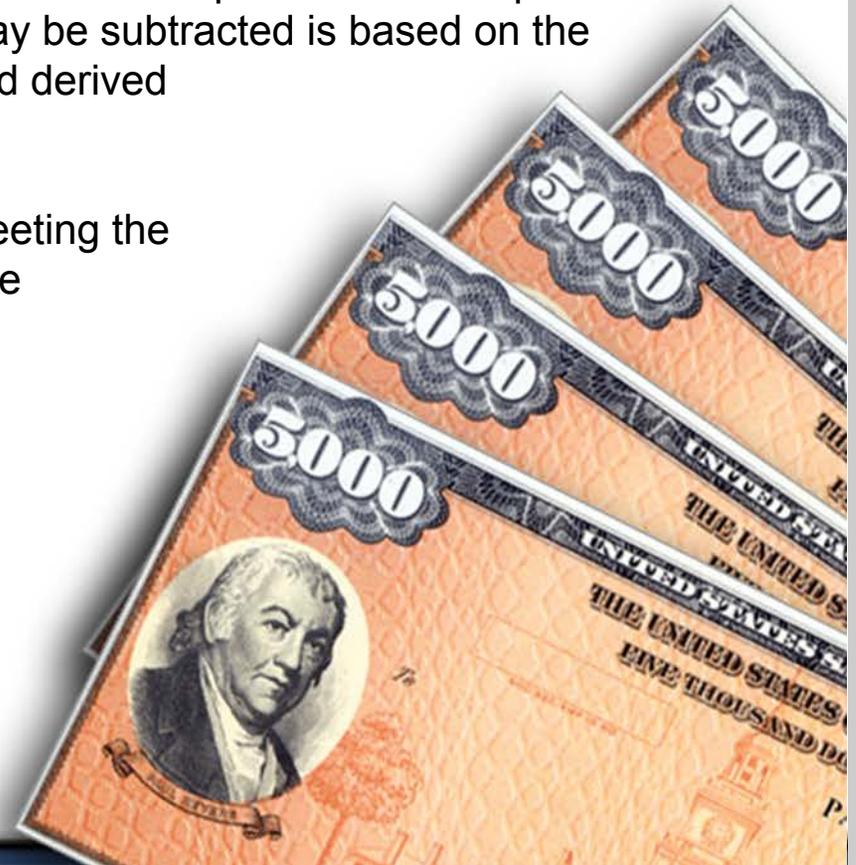
New York State Additions and Subtractions

Interest Income on United States Government Bonds

Distributions received from a regulated investment company (mutual fund) that invests in obligations of the US government and meet the 50% asset requirement each quarter must be subtracted from income. The portion that may be subtracted is based on the portion of taxable income received by the mutual fund derived from federal obligations.

Contact the mutual fund for further information on meeting the 50% asset requirement and computing your allowable subtraction (if any).

See [TSB-M-92\(4\)](#) for more information on the 50% asset rule.





New York State Additions and Subtractions

Pension and Annuity Income Exclusion (cont.)

The taxpayers who receive a pension from a source **other than** New York state or its political subdivisions may exclude up to \$20,000 of this income from New York state income tax. If the taxpayer and spouse both qualify, they can each subtract up to \$20,000 of their own pension and annuity income.

The taxpayer cannot claim any unused portion of the spouse's exclusion.



New York State Additions and Subtractions

Qualifying Pension and Annuity Income

Pension and annuity income that qualifies for the exclusion includes:

- Periodic payments for services performed as an employee before retirement
- Periodic and lump-sum payments from an IRA, but not payments derived from contributions made after retirement
- Periodic distributions from government (IRC section 457) deferred compensation plans
- Periodic distributions from an annuity contract (IRC section 403(b)) purchased by an employer for an employee and the employer is a corporation, community chest, fund, foundation, or public school
- Periodic payments from an HR-10 (Keogh) plan, but not payments derived from contributions made after retirement
- Lump-sum payments from an HR-10 (Keogh) plan, but only if federal Form 4972 is not used. Do not include that part of the payment that was derived from contributions made after retirement
- Periodic distributions of benefits from a cafeteria plan (IRC section 125) or a qualified cash or deferred profit-sharing or stock bonus plan (IRC section 401(k)), but not distributions derived from contributions made after retirement



New York State Additions and Subtractions

Pension and Annuity Income Exclusion

Taxpayers who enter an amount on line 9 or 10 of Form IT-201 or IT-203 that was **not** from a New York State or local government pension plan or a federal government pension plan must report part of this income as a New York subtraction.

- If the taxpayer was 59 ½ **before** January 1st, enter the amount of qualifying pension and annuity income included in the federal AGI, **but not more than \$20,000**.
- If the taxpayer was 59 ½ **after** January 1st, enter the amount of qualifying pension and annuity income, received *after you became 59½*, included in the federal AGI, **but not more than \$20,000**.

Enter these amounts on line 29 of Form IT-201 or line 28 of Form IT-203.

See [Publication 36](#), *General Information for Senior Citizens and Retired Persons* for more information.

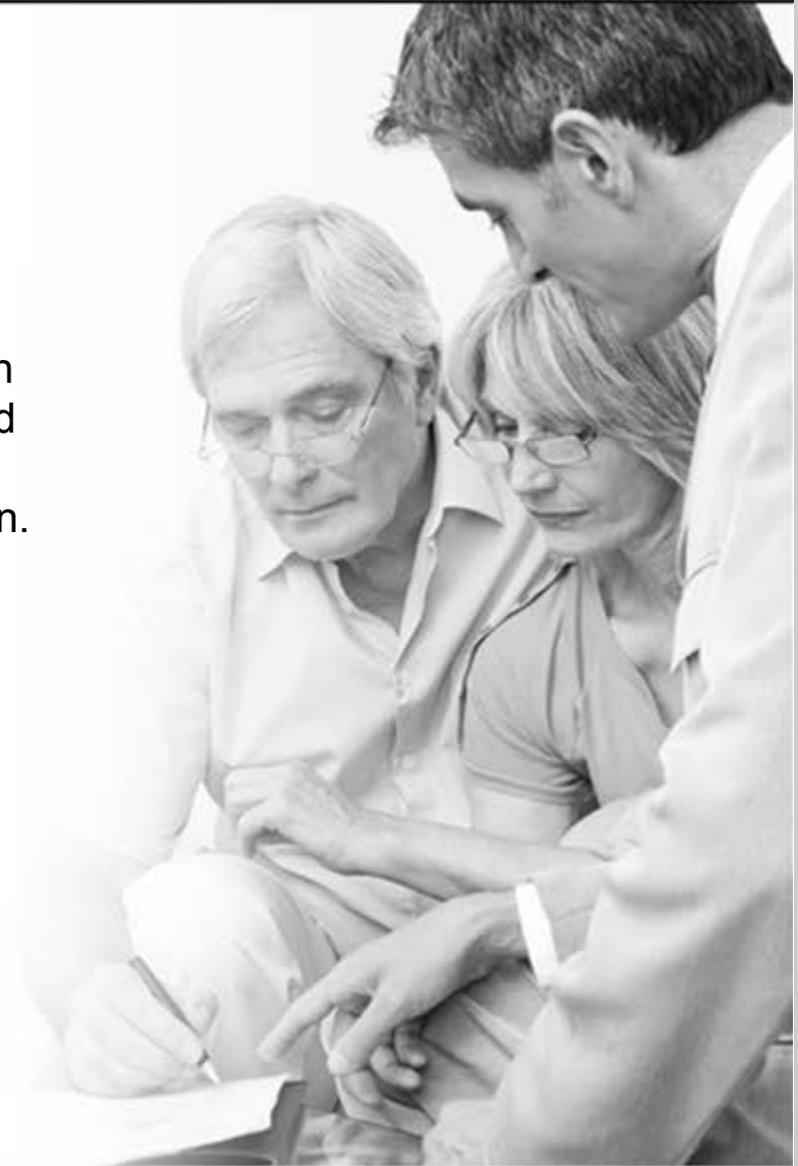


New York State Additions and Subtractions

Pension and Annuity Exclusion Example

Chris and Pat, both age 62, included total pension and annuity income of \$45,000 in their federal AGI on their joint federal tax return. Chris received qualifying pension and annuity payments totaling \$30,000 and Pat received qualifying payments totaling \$15,000. They are filing a joint New York State resident personal income tax return.

Chris may claim the maximum pension and annuity income exclusion of \$20,000, and Pat may claim an exclusion of \$15,000, for a total pension and annuity income exclusion of \$35,000.





New York State Additions and Subtractions

Public vs. Private Pensions

Some important distinctions between the tax treatment of public and private pensions:

A **Public** pension can be taken at any age. The taxpayer (or nonemployee spouse) can subtract entire amount of pension.

A **Private** pension can only be taken after the taxpayer turns 59 ½ years old. The taxpayer can only subtract up to \$20,000. A nonemployee spouse cannot take the subtraction.



New York State Additions and Subtractions

Beneficiaries of Pensions and Annuities

The total pension and annuity income exclusion claimed by the decedent and the beneficiaries cannot exceed \$20,000. If there is more than one beneficiary, the decedent's exclusion must be allocated among the beneficiaries based on each beneficiary's share of the pension and annuity income.

Beneficiaries of a pension or annuity may take the exclusion under certain circumstances.

If the employee who is receiving the pension or annuity dies, and would have been entitled to the exclusion had he or she lived to file a return, the beneficiary may claim the exclusion to the same extent the employer would have. This is true regardless of the beneficiary's age.



New York State Additions and Subtractions

Beneficiaries Example

A taxpayer received pension and annuity income totaling \$6,000 as a beneficiary of a decedent who was 59½ before January 1, 2013. The decedent's total pension and annuity income was \$24,000, shared equally among four beneficiaries.

Each beneficiary is entitled to one quarter of the decedent's pension exclusion, or \$5,000 (\$20,000 divided by 4).



New York State Additions and Subtractions

Pension and Annuities for Nonresidents

Taxpayers filing as nonresidents may claim the pension exclusion.

Qualifying pension and annuity income that the nonresident reports in the New York State annual column of line 10 of Form IT-203 must be re-entered in the New York State amount column of line 28.

If the amount included on line 10 is allocated because the taxpayer worked in and out of New York State, the exclusion must be allocated in the same manner, using the same allocation percentage.



New York State Additions and Subtractions

Pensions and Annuities for Part-year Residents

Part-year residents may also be entitled to deduct a pension exclusion of up to \$20,000 for each of their taxable periods.

- Include the part of the qualifying pension and annuity income that the taxpayers received during the period they were residents.
- Include only the part of the qualifying pension and annuity income the taxpayers received during the period they were nonresidents that was required to be included in the New York State amount column of line 10.

The amount in the federal column cannot be more than \$20,000, but the amount in the New York State column could potentially be up to \$40,000.



New York State Additions and Subtractions

New York's 529 College Savings Program Deduction/Earnings Distributions

Taxpayers who made contributions to 529 college savings programs may be able to deduct up to \$5,000 (\$10,000 for joint filing) of that contribution from their New York income.

The amount of deduction will be reduced by any withdrawals made from the amount that year. The instructions have a worksheet for calculating the amount of the deduction.



New York State Additions and Subtractions

New York's 529 College Savings Program Deduction/Earnings Distributions

Taxpayers who received a withdrawal from one or more tuition savings accounts established under New York's 529 college saving program, must:

- enter the amount of the withdrawal that was included in their federal AGI
- enter this amount on line 30 of Form IT-201, or line 29 of Form IT-203

The instructions for Forms IT-201 and IT-203 contain a worksheet for calculating the amount of the section 529 deduction.



New York State Additions and Subtractions

Other Subtractions

As with New York additions, some New York subtractions are not listed on Forms IT-201-I or IT-203-I. For these, you must enter the applicable item number in the *Identify* area and the total amount of these other subtractions in the money column. The instructions for Forms IT-201 and IT-203 explain how to do this.

For nonresidents and part-year residents, enter these amounts in the federal amount column and, to the extent they are from New York State sources, in the New York State amount column.



New York State Additions and Subtractions

Knowledge Check

4. Karl receives his grandmother's private pension as the only beneficiary. She told Karl she was able to subtract that from her federal AGI. Is Karl allowed to subtract this amount as well?
- Yes, Karl may subtract the whole amount of the pension you received.
 - Yes, Karl may subtract up to \$20,000.
 - No, only the retired employee may take a subtraction.



New York State Additions and Subtractions

Knowledge Check



4. Karl receives his grandmother's private pension as the only beneficiary. She told Karl she was able to subtract that from her federal AGI. Is Karl allowed to subtract this amount as well?

- Yes, Karl may subtract the whole amount of the pension you received.
- Yes, Karl may subtract up to \$20,000.
- No, only the retired employee may take a subtraction.

5. Joe and his wife both receive pensions, Joe from New York State and his wife from Verizon. They are both 63. Joe's pension is \$50,000 and his wife's is \$45,000.

If they file a joint return, what can they subtract from their federal AGI?

- \$50,000
- \$95,000
- \$45,000
- \$70,000



New York State Additions and Subtractions

Knowledge Check

- ✓ 4. Karl receives his grandmother's private pension as the only beneficiary. She told Karl she was able to subtract that from her federal AGI. Is Karl allowed to subtract this amount as well?
- Yes, Karl may subtract the whole amount of the pension you received.
 - Yes, Karl may subtract up to \$20,000.
 - No, only the retired employee may take a subtraction.

- ✓ 5. Joe and his wife both receive pensions, Joe from New York State and his wife from Verizon. They are both 63. Joe's pension is \$50,000 and his wife's is \$45,000.

If they file a joint return, what can they subtract from their federal AGI?

- \$50,000
- \$95,000
- \$45,000
- \$70,000

6. Jane and her husband made \$15,000 in contributions to a New York State 529 College Savings Program and did not make any withdrawals. How much of a subtraction are they entitled to?

- \$5,000
- \$10,000
- \$15,000



New York State Additions and Subtractions

Knowledge Check



- ✓ 4. Karl receives his grandmother's private pension as the only beneficiary. She told Karl she was able to subtract that from her federal AGI. Is Karl allowed to subtract this amount as well?
- Yes, Karl may subtract the whole amount of the pension you received.
 - Yes, Karl may subtract up to \$20,000.
 - No, only the retired employee may take a subtraction.

- ✓ 5. Joe and his wife both receive pensions, Joe from New York State and his wife from Verizon. They are both 63. Joe's pension is \$50,000 and his wife's is \$45,000.

If they file a joint return, what can they subtract from their federal AGI?

- \$50,000
- \$95,000
- \$45,000
- \$70,000

- ✓ 6. Jane and her husband made \$15,000 in contributions to a New York State 529 College Savings Program and did not make any withdrawals. How much of a subtraction are they entitled to?
- \$5,000
 - \$10,000
 - \$15,000



New York State Additions and Subtractions

Section 3: Other Scenarios

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Section 3

Other Scenarios





New York State Additions and Subtractions

Additions and Subtractions for Partners

Income from a partnership should include any New York adjustments that apply to that income.

New York **additions** are shown on Form IT-204-IP, *New York Partner's Schedule K-1*, lines 20a-20f.

New York **subtractions** are shown on Form IT-204-IP, lines 22a-22f.



New York State Additions and Subtractions

Additions and Subtractions for Beneficiaries (Estates and Trusts)

If taxpayers have income from an estate or trust, any New York adjustments that apply to that income, as well as any additions to or subtractions from federal itemized deductions, will be shown in their share of a single fiduciary adjustment.

- Net additions will be included on the other additions line.
- Net subtractions will be included on the other subtractions line.
- Identify these items as FA and include the amount in the Identify area of these lines.



New York State Additions and Subtractions

Additions and Subtractions for S Corporation Shareholders

A shareholder of a federal S corporation for which the election to be a New York S corporation was in effect for the tax year must:

- include any of the additions and subtractions that apply to the pro rata share of S corporation items of income, gain, loss, or deduction; and
- if the election was terminated during the tax year, the shareholder must make the additions and subtractions only to the extent they are attributable to the period the election was in effect.



New York State Additions and Subtractions

S Corporation Shareholders

- Electing S Corporations:
 - additions A-27, A-28, and A-29, and subtraction S-37 do not apply
- Non-electing S Corporations that were eligible:
 - include additions A-27, A-28, and A-29 and subtraction S-37
- Not eligible S Corporations:
 - include additions and subtractions that apply to the taxpayer's pro rata Share of S corporation items of income, gain, loss or deductions
 - additions A-26 through A-29 and subtraction S-37 do not apply
- Obtain the taxpayer's share of S corporation items of income, gain, loss, and deduction from the S corporation.
- Make the adjustments for the tax year of the S corporation that ends in the tax year for which the return is being filed.



New York State Additions and Subtractions

Knowledge Check

7. Louise is the beneficiary of a trust and her fiduciary adjustment shows a net addition. Does she have to report this on her personal tax return?

- Yes
- No



New York State Additions and Subtractions



Knowledge Check



7. Louise is the beneficiary of a trust and her fiduciary adjustment shows a net addition. Does she have to report this on her personal tax return?

Yes

No



New York State Additions and Subtractions

Section 3: Other Scenarios

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