

**New York State Department of Taxation and Finance
Taxpayer Services Division
Technical Services Bureau**

TSB-M-80(11)I
Income Tax
January 22, 1981

1980 LEGISLATION

New York Item of Tax Preference for Adjusted Itemized Deductions

Chapter 669 of the Laws of 1980, enacted June 30, 1980, has amended section 622(b) of the New York State Tax Law and section T46-122.0(b) of the Administrative Code of the City of New York by adding paragraph (5) to each of these sections.

This act amends the New York State and New York City minimum income tax laws to exclude State and Local income taxes from the item of tax preference for adjusted itemized deductions. (See example below)

These amendments take effect immediately and are applicable to tax years beginning after December 31, 1979.

Example: Taxpayer has \$100,000 in Federal adjusted gross income and total Federal itemized deductions of \$85,000. Included in the itemized deductions are \$250 in medical deductions, \$750 casualty loss deduction and \$4,000 total tax deductions which includes \$3,000 in State and Local income taxes and \$1,000 in real property taxes.

<u>Step 1</u>	<u>Federal</u>	<u>State & City</u>
Total Federal itemized deductions	\$ 85,000	\$ 85,000
Less: Deductions for medical, casualty and State & Local taxes	<u>5,000</u>	<u>5,000</u>
Results	\$ 80,000	\$ 80,000
 <u>Step 2</u>		
Federal adjusted gross income	\$100,000	\$100,000
Less: Deductions for medical, casualty and State & Local taxes (Note: In the State & City column do not include State & Local income taxes disallowed pursuant to Sections 615(c)(1) and T46-115.0(c)(1)).	<u>5,000</u>	<u>2,000</u>
Balance	\$ 95,000	\$ 98,000
 <u>Step 3</u>		
Multiply the balance in Step 2 by 60%	\$ 95,000	\$ 98,000
Results	<u>.60</u> \$ 57,000	<u>.60</u> \$ 58,800

Step 4

Subtract the results of
Step 3 from the results of
Step 1

Results - Step 1	\$ 80,000	\$ 80,000
Less: results of Step 3	<u>57,000</u>	<u>58,800</u>
Adjusted itemized deduction (item of tax preference)	<u>\$ 23,000</u>	<u>\$ 21,200</u>

Note:

In effect, the Federal item of tax preference for adjusted itemized deductions is reduced by an amount equal to 60% of the State & Local income taxes disallowed pursuant to Sections 615(c)(1) and T46-115.0(c)(1) in order to arrive at the New York State & City item of tax preference for adjusted itemized deductions.

Federal item of tax preference	\$23,000
Less: \$3,000 x 60% =	<u>1,800</u>
New York item of tax preference	<u>\$21,200</u>