

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

TSB-M-87 (11) I  
Income Tax  
September 25, 1987

New York State's Tax Reform and Reduction Act of 1987  
Standard Deduction, Itemized Deduction and Personal Exemption

The New York State Tax Reform and Reduction Act of 1987 (Chapter 28), as amended by the Tax Reform Technical Corrections and New York City Tax Reduction Act of 1987 (Chapter 333), adds new provisions to the Tax Law relating to the standard deduction, itemized deduction and personal exemption. The following is an explanation of the amendments.

**Standard Deduction**

Section 614 has been amended and Section 699 (transition provisions) has been added to provide for an increase in the amount of standard deduction allowable and a separate standard deduction amount for each of the five different filing statuses. The increase in the standard deduction is phased in over a five-year period beginning with tax year 1987.

The new standard deduction schedule is as follows:

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991 and after</u>
Married filing jointly and surviving spouse	\$5,300	\$8,500	\$9,500	\$11,250	\$13,000
Head of a household	\$4,600	\$6,000	\$7,000	\$8,750	\$10,500
Single	\$3,600	\$5,000	\$6,000	\$6,750	\$7,500
Married filing separately	\$2,650	\$4,250	\$4,750	\$5,625	\$6,500
Dependent filers	\$2,800	\$2,800	\$2,800	\$2,900	\$3,000

**Itemized Deduction**

For tax year 1987, the full amount of New York itemized deduction is allowable. For tax years beginning after 1987, itemized deductions are retained; however, for higher income individuals, a varying percentage of their total itemized deductions are disallowed depending on the taxpayer's adjusted gross income range and filing status.

The following two tables contain the percentage of itemized deductions disallowed for tax year 1988.

**Table I - Percentage of itemized deductions disallowed where New York adjusted gross income does not exceed \$ 475,000**

<u>Filing status</u>	<u>Up to 10%*</u>	<u>10%</u>
Married filing jointly and surviving spouse	\$200,000 - 250,000	\$250,000 - 475,000
Head of a household	150,000 - 200,000	200,000 - 475,000
Single and married filing separately	100,000 - 150,000	150,000 - 475,000

\*The following formulas are used to determine the amount of itemized deductions disallowed within these income ranges:

- Married filing jointly and surviving spouse  

$$\text{NY itemized} \times 10 \text{ percent} \times \frac{\text{lesser of } \$50,000 \text{ or } (\text{NY AGI} - \$200,000)}{\$50,000}$$
- Head of a household  

$$\text{NY itemized} \times 10 \text{ percent} \times \frac{\text{lesser of } \$50,000 \text{ or } (\text{NY AGI} - \$150,000)}{\$50,000}$$
- Single and married filing separately  

$$\text{NY itemized} \times 10 \text{ percent} \times \frac{\text{lesser of } \$50,000 \text{ or } (\text{NY AGI} - \$100,000)}{\$50,000}$$

**Example 1. Single taxpayer - tax year 1988**

New York adjusted gross income - \$145,000  
Total itemized deductions - \$30,000  
Itemized deductions disallowed:

$$\$30,000 \times 10\% \times \frac{\text{lesser of } \$50,000 \text{ or } (\$145,000 - \$100,000)}{\$50,000}$$

$$\$30,000 \times 10\% \times \frac{\text{lesser of } \$50,000 \text{ or } (\$45,000)}{\$50,000}$$

$$(\$30,000 \times 10\%) \times \frac{\$45,000}{\$50,000}$$

\$3,000 x 90% = \$2,700 itemized deductions disallowed

Itemized deductions allowed:

\$30,000 total itemized deductions  
- 2,700 itemized deductions disallowed  
\$27,300 itemized deductions allowed

**Example 2. Married filing Jointly - tax year 1988**

New York adjusted gross income - \$260,000  
Total itemized deductions - \$40,000  
Itemized deductions disallowed: \$40,000 x 10% = \$4,000

Itemized deductions allowed:

\$40,000 total itemized deductions  
- 4,000 itemized deductions disallowed  
\$36,000 itemized deductions allowed

For tax years 1989 and after, the same income limits and formulas apply. However, the percentage of disallowance is increased from 10% to 25%.

**Table II - Percentage of itemized deductions disallowed where New York adjusted gross income exceeds \$475,000**

<u>Filing status</u>	<u>10 to 20%*</u>	<u>20%</u>
Married filing jointly and surviving spouse	\$475,000 - 525,000	over \$525,000
Head of a household	475,000 - 525,000	over 525,000
Single and married filing separately	475,000 - 525,000	over 525,000

\*The following formula is used regardless of the filing status of the taxpayer:

$$\text{NY itemized} \times 10 \text{ percent} + \left[ \frac{\text{NY itemized} \times 10 \text{ percent} \times \text{lesser of } 50,000 \text{ or } (\text{NY AGI} - \$475,000)}{50,000} \right]$$

**Example 1. Single taxpayer - tax year 1988**

New York adjusted gross income - \$480,000  
Total itemized deductions - \$100,000  
Itemized deductions disallowed:

$$(\$100,000 \times 10\%) + \left[ \frac{\$100,000 \times 10\% \times \text{lesser of } \$50,000 \text{ or } (\$480,000 - \$475,000)}{50,000} \right]$$

$$10,000 + \left[ \frac{\$100,000 \times 10\% \times \text{lesser of } \$50,000 \text{ or } \$5,000}{50,000} \right]$$

$$\$10,000 + \left[ \frac{\$10,000 \times 10\% \times \$5,000}{50,000} \right]$$

\$10,000 + \$100,000 x 10% x 10%  
\$10,000 + \$100,000 x 1%  
\$10,000 + \$1,000  
\$11,000 itemized deductions disallowed

Itemized deductions allowed:

\$100,000 total itemized deductions  
- 11,000 itemized deductions disallowed  
\$ 89,000 itemized deductions allowed

**Example 2. Married filing Jointly - tax year 1988**

New York adjusted gross income - \$530,000  
Total itemized deductions - \$100,000  
Itemized deductions disallowed: \$100,000 x 20% = \$20,000

Itemized deductions allowed:

\$100,000 total itemized deductions  
- 20,000 itemized deductions disallowed  
\$ 80,000 itemized deductions allowed

For tax years 1989 and after, the same income limits and formulas apply. However, the percentages of disallowance are increased from 10% to 25% and 20% to 50%.

Section 615(b) of the Tax Law has also been amended to provide that a husband and wife who file a joint federal return, but who are required to file separate New York returns, must claim only the itemized deduction that applies to his or her own income, computed as if their federal taxable incomes had been determined separately.

**Personal Exemption**

For tax year 1987, a taxpayer will be entitled to \$900 for each exemption (taxpayer, spouse and dependents). Elderly or blind taxpayers are no longer entitled to an additional personal exemption.

A dependent filer (one who can be claimed as a dependent on another taxpayer's return, such as a working student) cannot be claimed as a personal exemption on his or her own return.

For tax years beginning in 1988 and thereafter, a \$1,000 exemption will be allowed only for each dependent of the taxpayer. The personal exemption will no longer be allowed for the taxpayer and spouse.

**Nonresidents and Part-Year Residents**

For tax year 1987, the amount of the standard deduction, itemized deduction and personal exemptions for nonresidents and part-year residents will be the same as the amounts allowed to residents. However, such amounts will be subject to the limitation percentage, where applicable.

For tax years beginning after 1987, nonresidents and part-year residents will determine their New York State income tax under a new method. They will compute a base tax as if they were residents for the entire year and then prorate the tax based on the ratio of New York source income to all income. Under this method, nonresidents and part-year residents will be allowed the same standard deduction, itemized deduction and exemptions allowed to residents. The limitation percentage will no longer apply. For a detailed explanation of these new provisions, see TSB-M-87-(13)I.

**City of New York and City of Yonkers**

The Administrative Code of the City of New York (Chapter 17 of Title 11) has been amended to conform with the above changes to Article 22 of the Tax Law.

These amendments to the New York State Tax Law are also applicable to the City of Yonkers resident income tax surcharge authorized by Article 30-A of the Tax Law.