

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

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Tax Reform Technical Corrections and New York City
Tax Reduction Act of 1987
New York City Household Credit and Capital Gain Credit

The Tax Reform Technical Corrections and New York City Tax Reduction Act of 1987 (Chapter 333) added a new Section 11-1706 to Chapter 17 of Title 11 of the Administrative Code of the City of New York. This section provides for two new credits -- a household credit and a capital gain credit -- against the city resident personal income tax.

The household credit is applicable to taxable years beginning after 1986. The capital gain credit is applicable to taxable years beginning in 1987 only. An explanation of these new credits follows.

New York City Household Credit

The New York City household credit is similar to the New York State household credit, but with different dollar amounts and income limitations. The following tables show the amount of New York City household credit allowable for each filing status.

Single Individuals

If household gross
income is:

The Credit is:

<u>over</u>	<u>but not</u>	<u>For taxable years</u>	<u>For taxable years</u>
	<u>over</u>	<u>beginning after</u>	<u>beginning after 1990</u>
		<u>1986 and before 1991</u>	
\$ 0	\$ 7,500	\$15	\$15
7,500	10,000	10	15
10,000	12,500	0	10

**A Husband and Wife, Head of a Household
or Surviving Spouse**

The credit is determined by multiplying the number of exemptions the taxpayer (in the case of a husband and wife, taxpayers) is entitled to for federal income tax purposes by the appropriate credit factor for the taxable year as specified in the following table.

If household gross income is:

The credit factor is:

<u>over</u>	but not <u>over</u>	For taxable years beginning in				For taxable years beginning after
<u>0</u>	<u>12,500</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1990</u>
\$ 0	\$ 12,500	\$ 30	\$ 50	\$ 50	\$ 45	\$ 30
12,500	15,000	20	40	50	45	30
15,000	17,500	10	20	25	25	25
17,500	20,000	0	15	15	15	15
20,000	22,500	0	0	0	10	10

Definitions and Limitations

"Household gross income" is the total federal adjusted income of a household. "Household" means a husband and wife, a head of a household, a surviving spouse, or an individual who cannot be claimed as a dependent on another taxpayer's return.

Household gross income is computed as if each member of the household were a resident for the entire year. The household gross income of a husband and wife is computed jointly regardless of whether they file joint or separate city resident income tax returns. If a husband and wife are required to file separate city resident income tax returns, each spouse is allowed only one-half of the credit.

The amount of the household credit cannot exceed the New York City resident tax for the taxable year, reduced by the amount of any city accumulation distribution credit allowable for the taxable year. Any amount of unused household credit is not refundable and cannot be carried over to subsequent tax years.

Change of Resident Status

If a taxpayer changes city resident status during the tax year, the household credit is first computed as if the taxpayer were a city resident for the entire tax year, and is then prorated according to the number of months in the resident period. In the case of a husband and wife, if either or both change resident status and separate returns are required to be filed, the household credit is computed as if both were residents for the entire year. The resulting amount is divided equally between them and then prorated based upon the number of months each spouse was a city resident.

Examples

Example 1: For tax year 1987, a husband and wife file a joint federal income tax return on which they report federal adjusted gross income (AGI) of \$16,000 and claim four personal exemptions. Their household credit is computed as follows:

Household gross income (federal AGI)	\$16,000
Applicable credit factor from table	\$10
Personal exemptions claimed on federal return	<u>x4</u>
Household credit	\$40

Example 2: For tax year 1987, a husband and wife file a joint federal income tax return on which they report federal adjusted gross income of \$14,000 and claim four personal exemptions. The husband was a city resident for the entire year and the wife was a city resident for only six months. Since they have different periods of city residence, they must file separate city income tax returns. Their household credit is computed as follows:

Household gross income (determined as if both spouses were city residents for the entire year)	\$14,000
Applicable credit factor from table	\$20
Personal exemptions claimed on federal return	<u>x 4</u>
Household credit for entire year	\$80
Amount allocated to each spouse (1/2 x 80)	\$40
Net credit allowed each spouse:	
Husband - city resident for entire year	\$40
Wife - city resident for six months (6/12 x 40) =	\$20

Capital Gain Credit

The capital gain credit applies to tax years beginning in 1987 only.

The amount of the credit is one-half of one percent (.005) of the taxpayer's net capital gain includible in New York City adjusted gross income. The term "net capital gain" means the excess of the net long-term capital gain for the taxable year over the net short-term capital loss for the year.

The credit cannot exceed the New York City resident personal income tax for the taxable year, reduced by the amount of any city accumulation distribution credit or household credit allowable for the taxable year. Any amount of unused capital gain credit is not refundable and cannot be carried over to subsequent tax years.