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

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Income Tax
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1996 Income Tax Changes

The following changes reflect legislation enacted in prior years that takes effect in 1996.

New York State Personal Income Tax Rates

1996 is the second year of the three-year personal income tax cut enacted in 1995. For 1996, the highest rate of tax has been reduced to 7.125%. In addition, the standard deduction amounts are increased for 1996. The 1996 standard deduction amounts are as follows:

Single	$ 7,400
Married filing a joint return	$12,350
Married filing a separate return	$ 6,175
Head of a household	$10,000
Dependent filer	$ 2,900

Earned Income Credit

For tax years beginning after 1995, the New York State earned income credit is 20% of the federal earned income credit. In addition, the earned income credit must be reduced by the amount of the household credit. Therefore, a taxpayer will not receive the benefit of both the earned income credit and the household credit.

Contributions to the United States Olympic Committee/Lake Placid Olympic Training Center Fund

Beginning in 1996, taxpayers may make a contribution to the United States Olympic Committee/Lake Placid Olympic Training Center Fund on their New York State personal income tax returns. The contribution can only be made in the amount of $2 per taxpayer, and the amount of the contribution will **either** reduce the taxpayer's refund or increase the amount of tax due. The money contributed to the fund will be used exclusively for the maintenance and operation of the Lake Placid Olympic training center.

Subtraction Modification for Long-Term Care Health Insurance Premiums

For tax years beginning after 1995, a taxpayer 55 years of age or older may subtract from federal adjusted gross income, in computing New York adjusted gross income, premiums paid on certain long-term care health insurance policies that cover the taxpayer. The policies must meet certain conditions specified by the New York State Insurance Department in order to qualify for the subtraction.

The subtraction is limited to the lesser of the amount of premiums paid during the year or (1) $750 for taxpayers who are at least 55 but not older than 60, (2) $2,000 for taxpayers older than

60 but not older than 70, and (3) $2,500 for taxpayers over 70. The age of the taxpayer is determined as of the last day of the tax year for which the subtraction will be taken. If a husband and wife are each covered by a qualified policy, they may both take the subtraction. However, one spouse may not claim the unused part of the other spouse's subtraction.

Note: At this time, we are not aware of any policies available that qualify for this subtraction modification. Accordingly, taxpayers who are interested in purchasing this type of policy should request that their insurance agent notify them when these policies become available. In addition, the New York State Insurance Department is required to maintain a list of policies that qualify for the subtraction modification.

The following changes reflect legislation enacted in 1996 that takes effect in 1996 and future years.

Child and Dependent Care Credit
For tax years beginning after 1995, the amount of the child and dependent care credit has been increased for certain taxpayers. In addition, for resident taxpayers, if the amount of the credit exceeds the taxpayer's tax for the year, the excess amount will be refunded, without interest. A part-year resident may receive a refund of all or only part of the excess amount. A nonresident cannot receive a refund of this credit.

For taxpayers whose New York adjusted gross income is $10,000 or less, the percentage of the federal credit allowed increases to 30% for 1996 and to 60% for tax years beginning after 1996. If the taxpayer's New York adjusted gross income is more than $10,000 but not more than $14,000, the 30% and 60% credit amounts are gradually reduced to 20% at the $14,000 income level. Taxpayers whose New York adjusted gross income exceeds $14,000 will continue to receive 20% of the federal credit.

Form IT-100 filers claim the child and dependent care credit by completing Form IT-100, including the <u>Claim for Child and Dependent Care Credit</u> section on the back. The Tax Department will compute the credit for IT-100 filers. Form IT-200, IT-201 and IT-203 filers must file Form IT-216, *Claim for Child and Dependent Care Credit,* to claim this credit. In addition, a taxpayer may be eligible to claim a New York State child and dependent care credit even if the taxpayer did not claim the credit for federal income tax purposes or did not have to file a federal income tax return.

Breast Cancer Research and Education Fund
Beginning in 1996, taxpayers may make a contribution to the New York State Breast Cancer Research and Education Fund on their personal income tax returns. The contribution can be made in any whole dollar amount the taxpayer wishes. However, the amount of the contribution

will **either** reduce the taxpayer's refund or increase the amount of tax due. The money contributed to this fund will be used exclusively for breast cancer research and educational projects.

Credit for Rehabilitation of Historic Barns

For tax years beginning after 1996, a taxpayer (including a partner in a partnership or shareholder of a New York S corporation) may be allowed a credit for restoring a historic barn. The amount of the credit is 25% of the taxpayer's qualifying rehabilitation expenditures paid or incurred to restore a historic barn located in New York State. In general, qualifying rehabilitation expenditures mean those expenditures that are defined in section 47 of the Internal Revenue Code for purposes of the federal rehabilitation credit.

To qualify for the credit, the barn must have been originally designed and used for storing farm equipment and agricultural products or for housing livestock. In addition, the barn must be a certified historic structure or must have been placed in service before 1936.

The credit will not be allowed if the rehabilitation materially alters the historic appearance of the barn or converts it to residential purposes. In addition, the credit will not be allowed if the taxpayer claims the regular investment credit or the economic development zone investment credit for the barn. If the credit exceeds the taxpayer's tax for the year, the excess may be carried forward to the next ten tax years.

Farmer's School Tax Credit

For tax years beginning after 1996, an eligible farmer may be entitled to an income tax credit for the school district property taxes the farmer pays. The credit is allowed only for school taxes paid on land, structures and buildings owned by the farmer that are located in New York State and used or occupied for agricultural production. In addition, an eligible farmer may be entitled to the credit if the farmer is a partner in a partnership or a shareholder of a New York S corporation that is engaged in farming activities. A credit is not allowed for school taxes paid on the farmer's residence. If the credit exceeds the farmer's tax for the year, the excess credit will be refunded, without interest.

A taxpayer is an eligible farmer if at least two-thirds of the taxpayer's **federal gross income** for the tax year is from farming. A taxpayer who qualifies for the "farmer" estimated tax treatment for federal and state income tax purposes will qualify as an eligible farmer.

The credit equals the total school district property taxes paid on qualified agricultural property that does not exceed the base acreage amount and 50% of the taxes paid on acres in excess of the base acreage amount. The base acreage amount is 100 acres for 1997, 175 acres for 1998, and 250 acres for 1999 and thereafter. However, the base acreage may be limited if the farmer owns an interest in more than one farming business. In addition, the credit is also limited if the farmer's New York adjusted gross income is between $100,000 and $150,000. No credit is allowed if the farmer's New York adjusted gross income exceeds $150,000. Furthermore, the farmer may have to recapture all or part of the credit if the agricultural property is converted to nonqualified use within two years after the year in which the farmer **first** claims a school tax credit.

A farmer cannot have both a deduction and a credit for the same taxes for state income tax purposes. Accordingly, the farmer must add back in computing New York adjusted gross income the portion of the federal income tax deduction for school taxes for which the New York credit is allowed.