

**Crowley & Sons Income Tax**  
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**Tax Bulletin #2**

**Topic: Itemized deductions**

As many of you know, the Federal Government passed a law at the end of 2017 that drastically changed the tax laws. What many of you don't know is that there have been numerous changes over the last 8 months that changed the original provisions. There also has been changes to NYS tax laws to assist New Yorkers, who for the most part, will be negatively affected by the Federal tax law changes. Lastly, several states have brought a lawsuit against the Federal Government in July arguing that new tax policies violate states' rights and unduly punish their populations. New York was one of the leaders in this suit.

So, what does all this mean to you? The short answer is now, more than ever, you need a tax professional. But it also means you need to take a look at some of the changes that could negatively affect you and make some adjustments to your withholdings, among other things, so that when we file your returns in the winter nobody gets surprised.

In this Tax Bulletin we are addressing itemized deductions.

The itemize deductions changes are for the federal tax return only. In fact, NYS has made a law change this year so that taxpayers who write off uniforms and work related deductions will still be permitted to do so on their state return. So, we will still be writing off your work-related deductions on your state tax return. We also believe the majority of our clients will still be itemizing their deductions on their federal return even with the tax law change.

The first major change is that real estate taxes and your state and local taxes withheld on your paycheck will be capped on the Federal Schedule A (itemized deductions) at \$10,000. Previously, if you paid \$12,000 in real estate taxes and you withheld \$10,000 in NYS (or any state) and NYC taxes, the total will be a \$22,000 deduction in the past. With the new law it will be a \$10,000 deduction and \$12,000 would be disallowed.

The next area of change would be the work-related deductions. This is an area that many of our clients who write off union dues, uniforms, cleaning of uniforms, use of a vehicle and mileage, among other things, will no longer be able to deduct this on the federal return. **The good news is NYS and some others have passed laws to allow you to still deduct these deductions on your state return.** So, this affects the federal return only.

The mortgage deductions only affect mortgages over \$750,000. Loans over \$750,000, if taken prior to this law, will be grandfathered in. Otherwise, you can take deductions for mortgage interest on new loans up to \$750,000, interest over that amount will be disallowed.

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The remaining itemized deductions are either being changed slightly or not changed at all.

**Bottom Line:**

**The changes for those who write off work related deductions will not be writing them off on the federal return, but WILL be on the state return.**

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