

**Crowley & Sons Income Tax**  
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**Tax Bulletin # 3**

**Topic: Federal Changes, State Changes, Lawsuits and more changes**

In my previous bulletins I mentioned the federal and state changes in addition to lawsuits and how the majority of my clients will not benefit as much as other parts of the country. In many cases, they will be hurt by the new tax laws. I wanted to discuss the fact that there are changes still occurring and between lawsuits and the federal and state changes. We still don't know for sure what the end result will be for tax year 2018.

Besides the changes, the purpose of these bulletins is to prevent disappointment in tax season. I previously pointed out that even if you're doing better with regard to tax liability you may still see a reduction in your refund or increase in the amount you owe, if you normally owe, as discussed in Bulletin 1.

**Federal Changes:** The House, in late September, passed another group of tax bills called Tax Reform 2.0. This bill was focused on three areas. Among the changes, the bills would make recently enacted tax cuts for individuals permanent, expand retirement and education accounts and create tax-advantaged Universal Savings Accounts. There have already been dozens of tax law changes since December of 2017 when the original Tax Cuts and Jobs Act (TCJA) was passed. So, what does this mean to you? It means that there are some changes that have occurred, some that are working their way through the Senate and House and some that will be coming in the next few months. Whether they will be signed into law is anyone's guess. We will be on top of everything, so we can prepare your taxes correctly and ensure you get all the deductions and tax benefits you deserve.

**State Changes** Many states (NY and NJ included) have followed in the footsteps of changing their tax laws as well. However, with a break from the Federal laws some states, like New York, have not followed in line with the changes the federal government has made. In fact, they have implemented laws in the opposite direction of the feds in an effort to help their own state from getting hurt from the federal changes. NYS is allowing workers to itemize their work-related deductions where in the past you can only deduct them, if you did it on the federal return. So, in an effort to help the blue-collar workers and any employee that writes off uniforms, union dues, use of a vehicle and other work related expenses, NYS changed their laws to allow this deduction which is a huge plus for New York workers. Many other states that get hurt by the new tax laws are following in New York's footsteps to help their residents if they were negatively affected by the new laws.

**State versus Federal government:** In some cases, we have seen the federal changes lead to state changes (like New York) to circumvent the negative impact on NYS residents. The federal government then changed the laws again to prevent NYS residents from getting the work around benefit. This was in the area of property taxes and charitable contributions where New York and neighboring states are trying to set up a program to allow homeowners to pay a portion of their property taxes as charitable deductions. The states and feds are still battling and again we will stay on top of this for you.

**Lawsuits:** New York, New Jersey, Connecticut and Maryland have filed a lawsuit over the summer claiming the new federal tax law changes overturned more than 150 years of precedent. These states felt the Tax Cuts and Jobs Act (TCJA) unfairly hurt democratic states and violated the constitution of interfering with state rights. They were looking to put an end to some of the changes that negatively affect 99% of our clients. This is ongoing, and nobody knows when this will be resolved or dismissed.

**Bottom Line:** There are too many changes in the works to know exactly how this will all play out at this point for tax year 2018. The changes in legislation and lawsuits are in various stages of approval. When the proposed changes become law, we will know and be totally up to speed on it in order to continue to prepare your taxes in the most beneficial way for you.

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