PROSPERITY NOW COMMUNITY

TAXPAYER OPPORTUNITY NETWORK
State Income Tax Guide

Welcome to the Taxpayer Opportunity Network TaxSlayer State Income Tax Guide. This guide can serve as a tool for VITA program managers, site coordinators and volunteers to access some of the most notable quirks and challenges for the states listed on the next page. This guide is a brief state by state summary of state income tax preparation issues developed with TaxSlayer users in mind.

This list is not entirely comprehensive but is only designed to serve as a resource to improve the ease of filing out of state returns.

In order to use this guide, feel free to scroll through the table of contents on the next page – from there, you can select the state or browse through at your own pace. If your state is not on the list, you can access the submission form here and email the Taxpayer Opportunity Network at taxpayeropportunity@prosperitynow.org .

Put together by fellow VITA volunteers like yourself, we hope you enjoy this guide.

Thank you,

The Taxpayer Opportunity Network team and volunteers

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Amending State Returns

Protecting Americans from Tax Hikes (PATH) Act of 2015 prevents taxpayers using newly issued ID numbers to retroactively claim refundable tax credits in prior years. For example, someone who filed a tax return under an ITIN and later got an SSN cannot file amended return(s) to claim EITC.

If you must change the filing status, TaxSlayer warns that all state returns will be deleted, so it is imperative to have/print a paper copy of all state returns filed.

Amended returns cannot be electronically filed and must be mailed to the IRS. Direct deposit/debit isn't available for amended returns.

If the original return is not already in TaxSlayer, you will need a copy of their original return. See "Amending Returns - Original Return Not Created in TaxSlayer" later in this tab.

If the original return was created, e-filed, and accepted using TaxSlayer, follow these steps:

Pull original tax return amounts to Form 1040X Original column

1. Open the original return in TaxSlayer.
2. If the return was previously adjusted by the IRS, modify the original return to match the changes the IRS made before opening Form 1040X.
3. To open Form 1040X, open the navigation MENU on the left and select **20XX Amended Return**.
4. Where it says **Original Federal Return Information**, select **Begin**.
5. Verify that each "Original Amount" agrees with the taxpayer's file copy of the return. If the original amounts are not on the TaxSlayer form, manually enter the numbers from the original return.
6. When you have confirmed or entered all amounts from the original return, select **Continue.**

Enter corrections and provide explanation of changes in Form 1040X

7. Where it says **Make Corrections for Amended Return**, select **Begin**. Read the instructions and select **Continue**.
8. If there are any Income changes in the amended return, select **Edit** on the appropriate line to enter the appropriate amount(s) that are dictating the reason for the amended return and select **Continue**.
9. If there are changes in other sections (like Basic Information, Deductions/Credits, Other Taxes, Health Insurance, etc.), go

to that section, make the appropriate entries, and select **Continue**.

10. When you have finished making amending entries on the federal return, select **20XX Amended Return** at the left navigation MENU.
11. Where it says **Explain Changes**, select **Begin**. Enter the reason(s) for the federal amended return, and select **Continue**.

Any Amendments to a State Return

12. **If the state return needs to be amended**, select **Amend State Return(s)**, and select **Begin**. If there are no state changes, skip to the steps for "Print Return ..."
13. Answer state-specific questions and enter amounts from original state return by selecting **+Amend State**. Complete each menu item.
14. Make changes that do not flow from the federal return by selecting **Edit State**. Complete each menu item that changed.
15. When you have completed the necessary entry or entries, select **Continue** until you're out of the state return and select **20XX Amended Return** at the left navigation MENU.

Print Return and assemble the Form 1040X package to be mailed

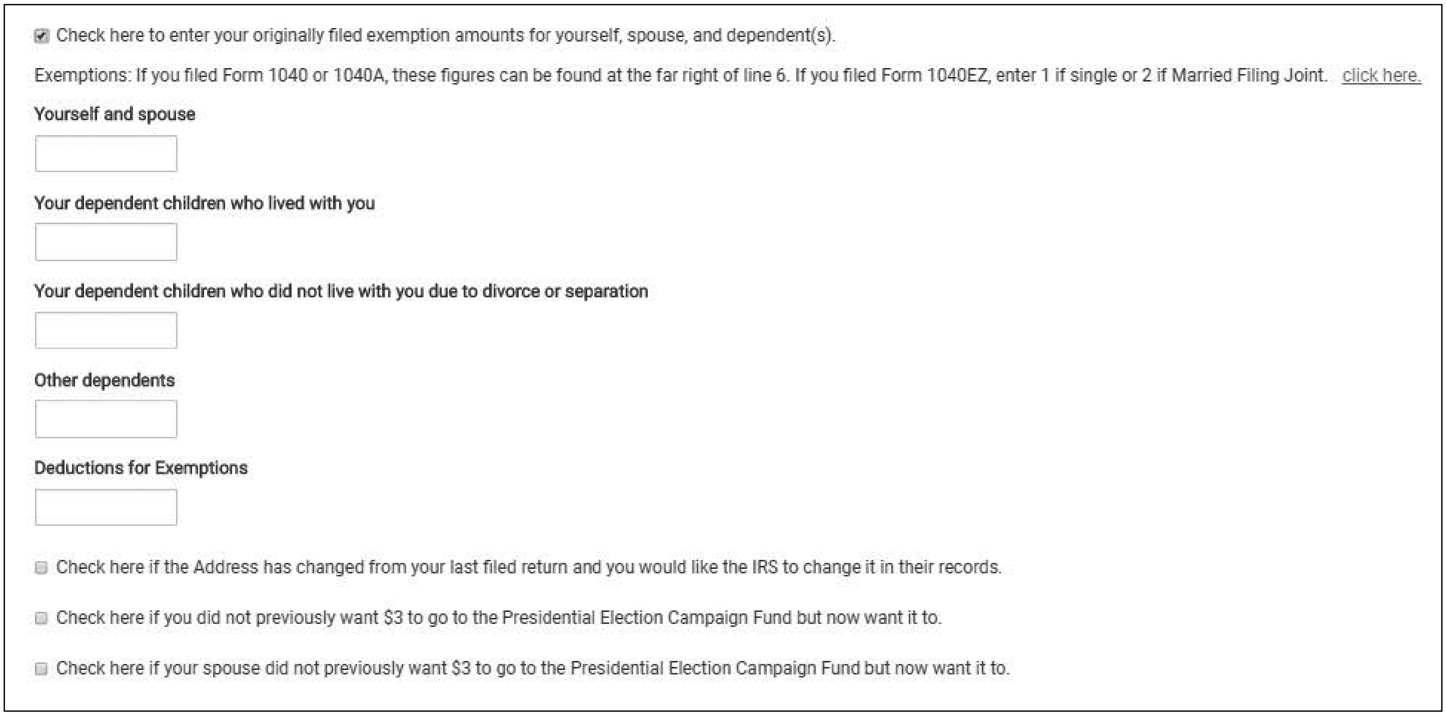
16. Select **Print Amended Return**, select **Begin**, then **Continue**. On the "Print Results" page select **Print your 20XX Tax Return**.
17. In the pdf of the return, examine Column A to verify all lines from the original Form 1040 have transferred. Next, examine Column B to verify that the amendment change(s) you entered appear on the correct line(s) of the column. Then verify that the amount(s) on line(s) changed appear in the correct total amount(s) of these lines in Column C.
18. Verify the correct amount overpaid or owed. On page 2, verify that all information is correct and that appropriate boxes are checked for qualifying children eligible for Child Tax Credit.
19. If the state form is amended, scroll down the pdf to the state forms and verify that additions to or subtractions from the federal AGI that were manually made on the amended state return are correct.
20. Ask a Quality Reviewer to double-check all entries on the amended return.
21. Print the following copies of tax forms (If a state amendment is not needed, skip state forms)

	Total	IRS	State	Taxpayer
1040X	3	1	1	1
1040 (with "As Amended" written across the top)	1			1
Any federal forms changed or added	3	1	1	1
State voucher (if any)	1		1	
Any required State forms	2		1	1

22. For an amended return, form 1040X is the voucher if a balance is due. The taxpayer should simply enclose a check with the amended return.
23. Verify the state voucher amount (if used for your state) and that state amended return requirements are met.
24. Have taxpayers sign the 1040X and the state amended return. Use pre-addressed envelopes. Advise taxpayer the amended return should not be filed until all refunds or return has been processed. **Remind taxpayers to enclose payment – if payment is due.**
25. Attach any new or corrected documents (like a late 1099-R). Do <u>not</u> attach the original return.
26. If responding to a notice from the IRS, send the federal amended return to the address shown in the notice. If not, use the address in 1040X Instructions.

- ☐ Check here to enter your originally filed exemption amounts for yourself, spouse, and dependent(s).
- ☐ Check here if the Address has changed from your last filed return and you would like the IRS to change it in their records.
- ☐ Check here if you did not previously want $3 to go to the Presidential Election Campaign Fund but now want it to.
- ☐ Check here if your spouse did not previously want $3 to go to the Presidential Election Campaign Fund but now want it to.

27. Follow the prompts to Cancel or Continue



☑ Check here to enter your originally filed exemption amounts for yourself, spouse, and dependent(s).

Exemptions: If you filed Form 1040 or 1040A, these figures can be found at the far right of line 6. If you filed Form 1040EZ, enter 1 if single or 2 if Married Filing Joint. click here.

Yourself and spouse

Your dependent children who lived with you

Your dependent children who did not live with you due to divorce or separation

Other dependents

Deductions for Exemptions

☐ Check here if the Address has changed from your last filed return and you would like the IRS to change it in their records.

☐ Check here if you did not previously want $3 to go to the Presidential Election Campaign Fund but now want it to.

☐ Check here if your spouse did not previously want $3 to go to the Presidential Election Campaign Fund but now want it to.

28. Follow the prompts to Cancel or Continue

Amending Returns: Original Return Not Created in TaxSlayer

- For a very simple return, create the correct return as you normally would have. Also create a correct state return.

- For a more voluminous return, instead of entering every document, you can add them together to eliminate much of the typing. Because this will be a paper return, much of the information that goes with an e-filed return is not necessary. EINs, business addresses, etc. can be eliminated or dummy entries made.

- If the return contains multiple copies of income documents, you can add them together and enter the totals. For example:

  – If there are several W-2s, choose one EIN (needed solely to satisfy TaxSlayer), then enter the total from all Box 1s, the total from all Box 2s, and the totals from any other boxes that will affect the tax return (generally 7, 8, 10, 12, 13, and 17).

  – Do the same for 1099-INTs (separating taxable from tax-exempt interest), 1099-DIVs (separating ordinary dividends from qualified dividends), and 1099-Rs (separating by Box 7 codes)

- Schedule C's that are not being changed can be created using just the net profit as the total income.
- Schedule D's that are not being changed can be created using one transaction for long term and one for short term transactions, entering the net gain as the sales price with no basis.
- Enter information for adjustments and credits

In the e-File section, select **Paper** for federal and state.

Go to the Amended Return Section and select **Original Federal Return Information**. Select **Begin**, and enter the return data from the original return.

When you have confirmed or entered all amounts from the original return, continue with steps 7 through 26.

Alabama

For more information on other topics: http://revenue.alabama.gov/incometax

1. Wage Income

   Alabama asks you to enter your current employer's information. If your taxpayer is not employed, you should leave this field blank--don't enter "None." TaxSlayer will prompt for this information.

2. Self-Employment

   Assuming you have entered self-employment on Schedule C or C-EZ, it should carry over to TaxSlayer automatically; you don't need to re-enter it on the state return.

3. Retirement

   The state of Alabama taxes some forms of retirement, and does not tax others. You must first determine if your taxpayer's retirement is taxable to Alabama, and then you must determine how to handle the taxability in TaxSlayer. Taxability: If the IRA/SEP/Simple box is checked on a Form 1099-R, then the taxable portion of the distribution will be carried to TaxSlayer correctly. Taxable IRA Distributions are generally taxable on the state return. If the IRA/SEP/Simple box is not checked, you need to determine, often by asking the taxpayer, the source of the distribution. Distributions from 401(K) and 403(B) plans are taxable. But a number of retirement distributions are not taxed by Alabama, including United States Retirement System benefits, State of Alabama teachers' or employees' retirement system benefits (Retirement Systems of Alabama), State of Alabama Judicial Retirement System benefits, military retirement pay, Tennessee Valley Authority Pension System benefits, payments from a defined benefit plan, Federal Railroad benefits, Federal Social Security benefits, and disability retirement benefits or other benefits from the Veterans Administration. Retirement received by eligible Alabama firefighters and police officers and their beneficiaries from Alabama firefighting or police agencies would also not be taxable to Alabama. (Keep in mind that a taxpayer may have distributions from both a 401(K) which would be taxed, and a defined benefit pension which wouldn't be taxed, from the same company; you must determine whether the distribution on the 1099-R is from one or the other, and this may require the taxpayer contacting the benefits coordinator at the company to determine the nature of the distribution. TaxSlayer considerations: If the IRA/SEP/Simple box is marked on the Form 1099-R in TaxSlayer, the taxable distribution carries to the Alabama return correctly. If the IRA/SEP/Simple box is not checked on the Form 1099-R in TaxSlayer, none of the distribution will carry to the Alabama return automatically. You must add up any such distributions that are taxable; then you must enter that total on the Alabama return in the Adjustments to Income section (NOT Additions to Income as you might think), as "Taxable Portion of Retirement Income."

4. Medical

   The deductible medical expense threshold for the state of Alabama is only 4% of AGI. So even when medical expenses won't affect the federal return, they could be a powerful deduction on the Alabama return.

5. Other

   1. The Alabama standard deduction is so low that anyone who has deductible expenses generally includes them on their Alabama return, even if they don't have enough to itemize on the federal return. These expenses must be entered in the Federal Section, as there is no place to enter them within the Alabama return screens. In short, if you will be filing an Alabama return, enter any deductible expenses, even if you don't believe the taxpayer has enough to itemize.
   2. There are certain situations where the filing status could be different on federal and state returns. Specifically, Alabama does not allow the Head of Family filing status for married individuals who have lived apart for the last half of the year. For tax years before 2017, TaxSlayer has no means of changing the filing status on the Alabama return. Beginning with Tax Year 2017, you may change the filing status in the state section in the Basic Information section.
   3. A dependent is only allowable on the Alabama return if the taxpayer provided more than half of the support for that dependent. In addition, foster children are not allowable as dependents for Alabama purposes. For tax years prior to 2017, there is no way in TaxSlayer to disallow a dependent who was lawfully claimed on the federal return but who cannot be claimed on the Alabama return. Beginning with Tax Year 2017, you may remove a dependent from the state return by going to the state section, Basic Information.
   4. In addition to the retirement distributions described above, there are a large number of income types that are NOT taxable to Alabama. See the Alabama Form 40 Booklet for a complete listing.

Arizona

For more information on other topics: https://azdor.gov/

1. No state tax/state tax identical to federal/no filing requirement

    Native Americans who are tribal members and live and work on their tribe's reservation are exempt from state tax.

2. Federal vs State Filing Status

    Cannot file MFJ if spouse is resident (full or part-year) of another state.
    2. AZ is a community property state, so MFS returns are complicated.

3. Itemizing Deductions

    AZ standard deduction is lower than federal standard deduction, so many itemize on state even if not itemizing on federal. In 2017, AZ standard deduction was $5,183 (Single) and $10,336 (MFJ).

4. Other

    Most common credits include the Credit for Contributions to a Qualifying Charitable Organization (list of qualifying orgs found here: https://azdor.gov/tax-credits/contributions-qcos-and-qfcos), Credit for Contributions or Fees Paid to Public Schools, and Property Tax Credit (details here: https://azdor.gov/forms/individual/property-tax-refund-credit-booklet) for those over 65 and/or recipients of SSI.

Arkansas

For more information on other topics: https://www.dfa.arkansas.gov/income-tax/individual-income-tax/

1. Federal vs. State Filing Status

   For married couples filing a joint federal return, AR allows choice of Married Filing Joint (only one has income) or Married Filing Combined (both have income). After completing AR return, check to make sure status is selected that results in the highest refund.

2. Wage Income

   Other income from Federal 1040, Line 21, may not flow to the AR return. Fill in the same information from 1040 Line 21 in Other Income section (Form AR01). AR01 can also be used to subtract income from the return, it will accept negative amounts in the "Other" selection blocks.

3. Itemizing Deductions

   Always try to itemize on the Federal Return even if using federal standard deduction. The AR standard deduction is relatively low (S/HH/MFS/QW= $2,200 or MFJ/MFS4= $4,400), so it is easy to find deductions that can be greater than the standard deduction, especially college expenses, real estate/personal property tax, mortgage interest, and charitable contributions. Reduce allowable AR Gambling losses by any Gambling Winnings from AR Games of Skill using a negative (-) number in Deductions input screen. These winnings are taxed upon receipt and not included on income tax return. Do not report State AGS winnings on Fed W2G.

4. Other Deductions

   Disabled Individual Certificate, Form AR1000DC, allows an additional $500 deduction from taxable income for caring for a disabled person. Cannot be TP or SP, but all other dependents count. Form AR1000DC will file with return and TP must sign printed form AR1000DC in tax packet.

5. Retirement

   Qualified Pension or IRA distributions are entitled to a $6,000 exemption on the taxable amount. Premature IRA/deferred comp/thrift savings (prior to 59.5, not disabled or dead) distributions do not receive the pension exclusion. Must fill out Pension Exclusion section in Subtractions for Income menu to claim exemption.

6. Investment

Federal Tax-Exempt int/div is normally not exempt in AR. Only interest earned on AR Tax-Exempt investments is exempt. TaxSlayer supports adding it back to the state.

7. Military

   Active duty and Reserve pay are tax exempt in AR. Enter all military compensation received in Subtractions from Income, Military Income Exclusion menu. Income of non-military spouse is also tax exempt (Form AR-MS). Beginning in TY2018, military pension income will also be excluded from tax in Arkansas.

8. Medical

   Disabled dependents may qualify taxpayer for income exclusion and/or tax credit.

9. Education

   Tuition expenses become part of AR itemized deduction Sched and form AR 1075 but do not flow from Federal Form 8863. Very good deduction for either 2- or 4-year college post-secondary education tuition. Must enter manually in Itemized Deductions, Tuition Deduction menu.

10. Other

    If taxpayer has a disabled dependent with a specific qualifying developmental disability (e.g. autism), there is a $500 tax credit available. However, TP must have AR1000RC5 on file with DFA to get the personal tax credit (certificate is good for five years). The TP should know if the form in on file; if not, print out AR1000RC5 from https://www.dfa.arkansas.gov/income-tax/individual-income-tax/forms/. Have TP get signed by Doctor and Mail to DFA. Tax Return could be delayed if not on file.

11. Non-Resident/Partial Year Resident/Reciprocity Issues

    Part-year resident must use Nonresident return type and then select part-year status, tax year-end state of residency, and dates of AR residency. Any income received from an AR source or while a resident of AR is subject to AR income tax.

California

For more information on other topics: https://www.ftb.ca.gov/

1. Federal vs. State Filing Status

   Head of Household (HOH) for CA requires additional information to be listed. The dependent who qualifies the taxpayer as HOH need to be specific, including the marital status of the taxpayer. This info does not carry over from the federal section. Follow this click path in TaxSlayer- CA Return>Basic Information>Complete CA FORM 3235 (HOH).

2. Other Deductions

   Renters Credit - To claim this credit follow this path in TaxSlayer: Credits>Renters Credit and then mark the drop down to Yes. This info does not carryover from the Federal return.

3. Non-resident/partial-year resident

   Foreign students can be nonresidents for IRS (in their first five years in the U.S. on student visa), but are always residents for CA if they've been here more than half the year.

Colorado

For more information on other topics: https://www.colorado.gov/revenueonline/_/

1. Itemizing Deductions
   Colorado offers a subtraction for charitable contributions over $500, if the taxpayer took the standard deduction. Even if the taxpayer does not have enough to itemize, the preparer still needs to enter qualifying charitable contributions over $500 in the itemized deduction section of TaxSlayer for it to carry to the state return.

2. Other
   The Colorado Property Tax/Heat/Rent Rebate (CO 104PTC), is available to full-year Colorado residents; 65 years of age or older, a surviving spouse 58 years of age or older; or disabled at any age. It is based on applicant's income and property tax, heat, and rent expenses. To qualify the taxpayer's total income (including any social security income) must be less than $13,608 ($18,343 if married). Volunteers can fill out the rebate under the credit section of the state return; however, this rebate cannot be electronically filed through TaxSlayer. If the taxpayer qualifies for the credit, the preparer should either print out two copies of the 104PTC, one for the taxpayer to mail to the Department of Revenue and one to keep for their records, or help them fill out the PTC rebate form on the DOR's website, which can then be filed online.

3. Non-resident/partial year resident/reciprocity issues
   For the most part, TaxSlayer does a good job separating out Colorado income on the part-year/nonresident form but it's always good to check during QR!

Connecticut

For more information: http://www.ct.gov/drs/site/default.asp

1. Other Deductions
   You can offset up to $200 in State income tax with property taxes paid on your home or car but you must either be 65 or be claiming a dependent in order to be eligible.

2. Education
   Contributions to the State's 529 plan are a reduction of income up to $10,000 annually. Contributions above that amount can be carried forward to future years.

3. Non-resident/partial year resident/reciprocity issues
   There is a State EITC that is a percentage of the Federal EIC but you must be a resident for the entire year.

Illinois

For more information: http://www.revenue.state.il.us

1. Federal vs. State Filing Status
   Generally, the same. However, if injured spouse, IL return should be MFS.

2. Wage Income
   IL starts with federal AGI.

3. Self-Employment
   IL starts with federal AGI.

4. Itemizing Deductions
   None on an IL return.

5. Retirement
   Retirement income is not taxed by IL. TaxSlayer will automatically subtract the taxable part of socials security. All other retirement income must be entered again to subtract. TaxSlayer will prompt the preparer to do this.

6. Education
   There is a nonrefundable credit based on the cost K-12 education expenses. There is also a credit for expenses paid by teachers for their classrooms.

7. Other
   There is an IL nonrefundable property tax credit that is 5% of RE taxes paid on the taxpayer's personal residence. There is a refundable EITC that is 18% of the federal EITC for tax year 2018.

8. Non-resident/partial year resident/reciprocity issues
   If husband and wife did not have same state residency, should file MFS. IL has reciprocity provisions with Wisconsin, Iowa, Kentucky, and Michigan.

Kansas

For more information: https://www.ksrevenue.org/taxindex.html

1. Itemizing Deductions

   2017 - If taxpayer itemizes on Fed return, they may itemize only 50% of real estate taxes; 50% of personal property taxes; 50% of qualified residence interest and mortgage insurance premiums and 100% of gifts to charity reported on Sch A of the Fed return.

2. Retirement

   Kansas recognizes certain nontaxable Federal and Kansas pensions including Railroad Retirement Board payments. Refer to Kansas K-40 instructions for specifics.

3. Education

   Kansas recognizes 529 Education Plan contributions as a reduction of gross income.

4. Other

   Kansas has two Property Tax Refund programs for Kansas residents. There are also Kansas-specific miscellaneous credits and intangibles tax in certain counties and cities.

Kentucky

For more information on other topics: https://revenue.ky.gov/Individual/Individual-Income-Tax/Pages/default.aspx

1. Itemizing Deductions

   You may itemize your KY deductions even if you do not itemize for federal purposes. Standard deduction for 2018 is $2,350. For 2018, KY eliminated nearly all itemized deductions. Remaining deductions include home mortgage interest, points, qualified mortgage insurance premiums and charitable contributions.

2. Retirement

   $31,000 of retirement is excluded from taxable income for 2018 ($41,000 for 2017), but if you receive retirement income from Federal, KY state or KY local government pensions you can exclude a portion of your pension income for service performed before January 1, 1998.

3. Military

   Subtract Active Military Duty pay under subtractions from income.

4. Education

   Education credit for undergraduate expenses paid to a Kentucky institution.

5. Other

   No form 740X. Look at print version for form 740 and ensure box under basic information for amended return is checked.

6. Non-resident/partial year resident/reciprocity issues

Credit for taxes paid on income to two different states. Credit cannot be claimed for a reciprocal state (IL, WV, IN, MI, WI, OH, VA). Must file reciprocal state return and include copy of return from the reciprocal state.

Illinois

For more information on other topics: http://www.revenue.state.il.us

1. Federal vs. State Filing Status
   Generally, the same. However, if injured spouse, IL return should be MFS.

2. Wage Income
   IL starts with federal AGI.

3. Self-Employment
   IL starts with federal AGI.

4. Itemizing Deductions
   None on an IL return.

5. Retirement
   Retirement income is not taxed by IL. TaxSlayer will automatically subtract the taxable part of socials security. All other retirement income must be entered again to subtract. TaxSlayer will prompt the preparer to do this.

6. Education
   There is a nonrefundable credit based on the cost K-12 education expenses. There is also a credit for expenses paid by teachers for their classrooms.

7. Other
   There is an IL nonrefundable property tax credit that is 5% of RE taxes paid on the taxpayer's personal residence. There is a refundable EITC that is 18% of the federal EITC for tax year 2018.

8. Non-resident/partial year resident/reciprocity issues
   If husband and wife did not have same state residency, should file MFS. IL has reciprocity provisions with Wisconsin, Iowa, Kentucky, and Michigan.

Massachusetts

For more information on other topics: https://www.mass.gov/guides/massachusetts-department-of-revenue-tax-guides#guides-for-personal-income-tax

1. Federal vs. State Filing Status
   Usually identical but doesn't have to be (could be MFJ on federal, MFS on MA)

2. Itemizing Deductions
   No itemized deductions except for medical expenses (allowed if itemizing on federal)

3. Other Deductions
   College tuition deduction; 529 plan deduction; deduction for contributions to Social Security/Medicare, and/or other state/federal retirement programs; deduction for certain disabled dependent/spouse care expenses; commuter expenses; certain gambling losses; rent paid; etc.

4. Retirement
   Retirement income from MA state or federal pensions is not taxed. State pensions from other states are taxed depending on whether the other state taxes MA pensions (reciprocity)

5. Investment
   Capital loss carryover rules differ from federal; use the MA carryover worksheet

6. Military
   Military pensions are generally exempt

7. Medical
   Schedule HC is required for most returns; a penalty for not maintaining health insurance is possible

8. Education
   Deductions available for college tuition, 529 plan contributions, undergraduate student loan interest

9. Other
   If 65 or over and paid rent or property tax, check the Senior Circuit Breaker Credit (Schedule CB)

Michigan

For more information on other topics: http://www.michigan.gov/taxes

1. State Filing Requirements

   A large number of taxpayers have no AGI but are still eligible for Michigan credits. We found that the best way to get these in is to create $1 of other income so a federal and state income tax return could be filed with an explanation of "To E-File MI Credits". In doing this we also found some additional ID theft situations in doing this.

2. Federal vs. State Filing Status

   Head of Household and Qualifying Widow or Widower correctly convert to Single on the Michigan return. However, if the filing status entered in the federal return is changed, all information entered up to that point in the Michigan return is deleted.

   Taxpayers filing their federal as Married Filing Separately can file their Michigan return as Married Filing Separately or Married Filing Jointly. If the federal return is Married Filing Separately, Tax Slayer will not prepare a joint Michigan return. It's an unusual situation, but we have seen it.

3. Retirement

   Some but not all retirement income is allowed as a subtraction on the Michigan income tax return. Michigan Form 4884 is used for this, but it can be easily missed at the bottom of one of the forms lists. Also, Form 1099-R information previously entered in the federal return has to reentered in the Form 4884.

4. Other

   Michigan allows several special exemptions for taxpayers and dependents. If a dependent is entered as disabled in the federal section the disability exemption does not flow to the Michigan return. It has to be reentered.

   Michigan has two credits, the Homestead Property Tax Credit and the Home Heating Credit that are based on Total Household Resources (THR), which is basically AGI with all nontaxable income except for food assistance added in.

   If a taxpayer is a renter eligible for the Homestead Property Tax Credit but lives in "special housing" such as subsidized, service fee, or licensed care facility, the rent is entered in that section, not under the rental section that appears first.

In TaxSlayer some nontaxable items such as a nontaxable gain on a residence have to be added in manually to THR and won't go to the correct line in any event.

Tax Slayer will not compute a Home Heating Credit properly in some shared housing situations so we have to prepare them from the Michigan website.

5. Non-resident/partial year resident/reciprocity issues

   Michigan has 22 cities with income taxes. Part-year resident returns do not calculate properly if the taxpayer had income both within and outside the city.

Montana

For more information on other topics: https://mtrevenue.gov

1. Filing Requirement
   Filing required if your federal gross income, excluding unemployment compensation, exceeds amounts based on age and filing status.

2. Federal vs. State Filing Status
   Montana has six filing statuses:
   1. Single
   2. Married filing jointly
   3. Married filing separately on the same form
   4. Married filing separately on separate forms
   5. Married filing separately and spouse not filing
   6. Head of household.

3. Wage Income
   Adjustments to Federal AGI:
   Montana adds the amount of your prior federal refund received in the current year to the extent they reduced your tax in a prior year-Ref: Tax Benefit Rule
   Montana subtracts exempt tribal income for those taxpayers living and working on the reservation in which they are enrolled;
   Certain taxed tips, gratuities, and service charges are exempt if they are received by the taxpayer "for services rendered to patrons of premises licensed to provide food, beverage, or lodging";
   unemployment is not taxed

4. Itemizing Deductions
   When filing separately, deductions that are paid from a joint account can be claimed 100% by either spouse or split between both spouses in the most beneficial manner;
   Federal rule is both spouses have to either claim standard deduction or itemize their deductions;

5. Other Deductions
   Montana provides an Elderly Homeowner/Renter Credit, form 2EC. It's available to taxpayers 62 or older who have lived in MT at least 9 months of the year, who are renting or owning a dwelling in Montana for at least 6 months, and who belong to a household making less than $45k a year of gross income. This can be a refundable credit up to $1,000.

6. Retirement
   Montana provides a Partial Pension and Annuity exemption that allows a taxpayer to exclude the lesser of $4,110*or the amount of pension

they receive. Exclusion amounts begin to phase out when federal AGI exceeds $34,260*.
*These amounts generally change each year.

7. Investment
   Montana allows its residents to create a Medical Care Savings Account (MSA) in which contributions, up to $3,500 for 2018, can be deducted. Withdrawals must be to pay or reimburse eligible medical expenses paid during the year.

8. Military
   Montana exempts military salary of residents on active duty as well as income of nonresident military service members.

9. Medical
   Montana allows 100% of medical insurance premiums-including Medicare B premiums, but not Part A premiums; allows 100% of long term care insurance premiums

10. Non-resident/Partial Year Resident/Reciprocity Issues
    Montana has an income tax reciprocity agreement with North Dakota which provides that any compensation received for work performed in a state by an individual resident of the other state is not taxed in the first state. However, if withholding was taken out by the employer, a tax return must be filed to claim the refund.

Nebraska

For more information on other topics:
http://www.revenue.nebraska.gov/indinctx.html

1. Itemizing Deductions
   Starting 2018, you may be able to itemize in NE even if you can't federally

2. Military
   Neb. Rev. Stat. § 77-2716(14) allows an individual who retires from the uniformed services of the U.S. on or after July 18, 2012 to make a one-time election to exclude from Nebraska taxable income a portion of his or her income received as a military retirement benefit that is included in federal AGI for tax years beginning on or after 1/1/15. An individual must make the election on or after 7/18/14 and within two years after retirement from the uniformed services, even if he or she does not begin receiving military retirement benefits immediately upon retirement.
   Option 1: exclude 40% of military retirement benefit income for 7 consecutive taxable years, beginning with the year in which the election is made;
   or Option 2: exclude 15% of military retirement benefit income for all taxable years, beginning with the year in which turns 67 years of age. Once an election is made, it cannot be changed. Must have 1040N-MIL on file w/ NE Dept. of Revenue.

New Hampshire

For more information on other topics: https://www.revenue.nh.gov/forms/interest-dividends.htm

1. No State Tax/No Filing Requirement

   Contrary to TaxSlayer Online warnings, NH does have a state tax and TaxSlayer **will** e-file it.

   NH taxes interest & dividends which carry over in TaxSlayer from the Federal Return, NH State exempt interest & dividends need to be identified and manually adjusted, while 1099R Code #D Box 2a annuities need to be added to the state return.

2. Retirement

   1099Rs with code #D Box 2a are manually added to the state return

3. Investment

   Interest & dividends carry forward to the state return but state exempt interest & dividends need to be identified and adjusted on the state return

4. Other

   Over 65 taxpayers who owe no state tax need to file an informational return-- IF they had been under 65 and would have had to pay state tax on the NH DP-10. (Property Tax Relief is prepared on the DP-08. The DP-08 is available ONLY between May 1st and June 30th)

   Low income homeowners (AGI less than $20,000 for single or Head of Household or $40,000 for MFJ) may claim state property tax relief; filing period is May 1-June 30 annually.

5. Non-resident/partial year resident/reciprocity issues

   Undergoing testing for Prior Year Returns

New Jersey

For more information on other topics:
https://www.state.nj.us/treasury/taxation/individuals.shtml

1. No state tax/state tax identical to federal/no filing requirement/filing required
   NJ Filing threshhold for Single & MFS must be more than $10,000. Threshhold for MFJ, HOH & Qualifying widower w children: More than $20,000. NJ State tax is lower than the Federal.

2. Federal vs. State Filing Status
   Must use same filing status as Federal on NJ returns

3. Itemizing Deductions
   No itemized deductions allowed for NJ. Deductions allowed for medical expenses in excess of 2% of income, much lower than Federal. Amounts should be entered on Federal so that it carries to the State even if taxpayer cannot itemize on Federal. Property taxes entered in Federal is currently not being carried to the state, it would be great to have this flow through as well.

4. Other Deductions
   "Dependents attending college" for students 21 & under // Blind/disabled gets extra exemption on NJ returns. // Deduction or Credit given for property tax paid for both home owners and renters. Renters must meet the NJ filing threshold to claim the credit. Ex - A "single or MFS" person's Gross Income on Line 28 must be at least $10,000. Similarly, 20,000 for all other filing status.

5. Retirement
   Permanent & Total Disability (code 3) received before retirement age is not taxable until taxpayer reaches full retirement age

6. Military
   Veterans Exemption of $3,000 is manually checked on NJ to allow exemption

7. Medical
   Deduction 2% of AGI given

8. Education
   Extra exemption for students attending college under age 22 (21)

9. Other

Income from Credit card debt forgiveness is not taxable in NJ. It is currently being carried over from Taxslayer. We don't need it to be carried.
Gambling winnings from a single prize $10,000 & under is not taxable. It should not be carried over.

10. Non-resident/partial year resident/reciprocity issues
    NJ/PA issue and NJ/NY issue - Worksheets did not work well from the onset last season but worked a little better by the middle of the season. Tweaks are always made for the correct amounts per State's W-2

New York

For more information on other topics: https://www.tax.ny.gov/ or https://www.tax.ny.gov/volunteer

1. Federal vs. State Filing Status
   Usually identical. MFJ can MFS only if other spouse is a non-NY resident or whereabouts unknown.

2. Itemizing Deductions
   SALT are excluded as a NY itemized item. Prior to 2018, NYS started with federal schedule A and subtracted State, Local, and foreign taxes paid and added college tuition and fees paid (if you elected not to take the NYS college education credit). In general, New York itemized deductions are computed using the federal rules as they existed prior to the changes made by the Tax Cuts and Jobs Act.

   Now, taxpayers cannot use 2018 total Federal itemized deduction as a starting point.

   Beginning with tax year 2018, Taxpayers may itemize for the state, even if they use the standard deduction for their federal return.
   NYS Standard Deductions:
   $3,100 dependent on another's return
   $8,000 single or MFS
   $11,200 HoH
   $16,050 MFJ or QW

3. Retirement
   If over 59 1/2, NY will not tax the first $20k. NY also excludes 100% of SS and any NY state or federal pension. NY taxes contributions to the NYS Retirement System (indicated by a code in box 14 on the W2), so you will have to add that to their federal taxable income to determine their state taxable income.

4. Education
   New York State Education Credit is for undergraduates only. Tuition and fee expenses only. Credit is claimed on form IT-272 and ranges from $200 - $400 depending on the amount of the expenses.

5. Other
   NY-214 Real Property tax credit requires Household income under $18,000, no real property owned valued more than $85,000 or pay more than $450/mo rent.

6. Non-Resident/Partial-Year Resident/Reciprocity Issues

NYS residents are taxed on all their income regardless of where earned. NY does give a dollar for dollar credit on taxes paid to another state. Look for form IT-112-R.

North Carolina

For more information on other topics: https://www.ncdor.gov/

1. Federal vs. State Filing Status

   NC does allow filing of an MFS return after filing a Federal MFJ. A copy of the "mock" Federal MFS return must be attached, which appears to mean that efiling a "state-only" MFS return would be inappropriate.

2. Retirement

   Bailey Settlements Retirement Benefits-The US or NC state/local government retirement benefits of an employee who was vested in the retirement plan on August 12, 1989 are not taxable in NC. This generally means that the employee had to be hired on or before August 12, 1984 (most plans have a five year vesting period). This does not apply to benefits received by a retiree from any other state/local government plan who moved to NC after retiring. Bailey also applies to 401(k)/403(b) plans as long as the employee began contributing before August 12, 1989; this means that an employee's pension may not be Bailey eligible, but their 401(k)/403(b) may be. The 1099R from NC Retirement Systems has a Bailey eligibility statement on it, but questions will need to be asked of other retirees. Also, the 401(k)/403(b) 1099R comes from a 3d party(currently, in 2018-Prudential), which requires additional questions. More information on Bailey (and this is the way it is listed on the NC tax form) can be found at: https://www.ncdor.gov/bailey-decision-concerning-federal-state-and-local-retirement-benefits . In TaxSlayer, Bailey-eligible retirement benefits are the first item listed in the NC Subtractions from Income section.

3. Other

   1. NC does not allow the exclusion to 1099C Residential Home Foreclosure Income. If a 982 is used on the Federal return, this amount must be added back to NC in the Additions to Income TaxSlayer section.

   2. NC Amendment-Be sure to add any refund received or Balance Due payment made prior to filing the amendment when completing a NC amendment.

4. Non-resident/partial year resident/reciprocity issues

   NC gives credit for taxes paid in another state by an NC resident who files a Non-Resident return for another state. TaxSlayer automatically enters this credit.

Ohio

For more information on other topics:

1. Self-Employment
   The first $250,000 of self-employment income is exempt from state tax so we have to make an adjustment to remove

2. Retirement
   Ohio gives a deduction to retirees who have 1099-R income. We ha e to make a manual adjustment.

3. Medical
   Ohio allows medical adjustment once taxpayer exceeds 7.5 percent of AGI. We have to make the adjustment.

Oklahoma

For more information on other topics: https://www.ok.gov/tax/

1. No state tax/state tax identical to federal/no filing requirement/filing required

   Clients must file a return if your gross income exceeds the amount shown:
   Single $7,350, Married Filing Joint $14,700, Married Filing Separate $7,350, Head of Household $10,350, Qualifying Widow(er) with a Dependent Child $13,700.

   If claimed as a dependent, client must file if their gross income exceeds $6,350.

2. Federal vs. State Filing Status

   Oklahoma (OK) is a Common Law Marriage state. All common law marriages that were contracted in Oklahoma prior to 1998 are recognized legally by the state. If a filer entered into a common law marriage after 1998 the marital status is complicated and courts may or may not recognize these marriages as legal.

3. Wage Income

   If a member of a recognized Native American tribe works on tribal land (associated with their tribe) and lives on land belonging to the tribe, that income qualifies as exempt.

4. Other Deductions

   Oklahoma depletion on oil and gas well production may be computed at 22% of gross income derived from each Oklahoma well the filer held during the taxable year. Federal depletion rate (15%) must be subtracted from state, meaning an additional 7% depletion can be manually entered on the OK state return.

5. Retirement

   Issue with retirement income transferring from federal to OK state return: Oklahoma does not tax up to $10k of retirement income. However, retirement income from the federal return does not transfer automatically and must be manually entered.

6. Military

   Oklahoma residents who are members of any component of the Armed Services may exclude 100% of their active military pay, including Reserve & National Guard pay.

7. Other

Most common credits: Sales Tax Relief/Credit: A full-year Oklahoma resident can apply for a $40 sales tax credit if they file before April 15th and have an income of $20,000 or less. The income limit increases to $50,000 if the resident has a disability, claims a dependent, or is over 65 years old. Credit for Property Tax Relief: OK residents 65 years or older or disabled residents who claim HoH and whose gross household income does not exceed $12,000/year may file a claim on the property taxes they paid during the past year. The credit may not exceed $200. Child tax credit: If income is $100,000 or less filer qualifies for child tax credit or child care expenses credit, there is an additional credit against Oklahoma tax. The tax is the greater of 20% of the credit for child care expenses allowed by the IRC or 5% of the child tax credit allowed by the IRC. Earned Income Credit: Filer is allowed a credit equal to 5% of the earned income credit allowed on their federal return.

8. Non-resident/partial year resident/reciprocity issues

Issue with part year resident filing an Oklahoma state return. To get part year status in OK you must enter both states - OK as resident state and the other state as part year. You must then delete OK and reenter OK as a part year state. TaxSlayer won't let you enter OK as part year at the first entry.

Pennsylvania

For more information: https://www.revenue.pa.gov/Pages/default.aspx

1. Self-Employment

   Need to include a copy of PA schedule C with local return

2. Other Deductions

   Employee Business expenses listed on Fed Sch B do NOT properly carry forward to PA UE (Employee business Expense). Also, entering EE business expense in form PAUE has many flaws: Info does not carry forward from W-2; tax preparer must manually re-enter ER info, including fed ID#, that should be pulled forward automatically from W-2 input.

3. Retirement

   No good place to put State tax withheld on 1099R. Hard to make part of a retirement distribution taxable to PA (this situation is common with Code 1 distributions. Only the employer's contribution and gain are taxable to PA. Taxpayer can exclude any of their own contribution.) Taxslayer is very hard to get the correct amount taxable on PA return when only part of 1099R distribution is taxable.

   Pennsylvania is unique in that up to 99.9% of retirement income is untaxed (exceptions: rare annuity contracts or retirement fund inherited by someone <65 years of age). However, occasionally retirement administrators and even tax preparers do not understand when retirement is untaxed in PA (again 99.9%). Therefore, PA tax is wrongly withheld, but then properly reported on 1099R. TaxSlayer software does not allow a preparer to properly indicate PA tax withheld, but no PA tax liability. Error Message: "Withholding cannot exceed liability". The only work around is to erroneously report PA tax liability of $1 more than PA withholding; however, this creates a "taxable" income that should not exist.

4. Other

   Need to manually qualify taxpayers for the PA tax forgiveness credit. If taxpayer qualifies, then TaxSlayer will properly calculate the SP credit. However, then it is **always** necessary for preparer to review state return before e-filing because if it turns out that the Taxpayer does not qualify for SP credit, TaxSlayer will not ignore SP input (as other software packages do); it will trigger a "reject". Then preparer must go back and manually delete SP credit calculations before e-filing.

West Virginia

For more information on other topics: https://tax.wv.gov/Pages/default.aspx

1. Federal vs. State Filing Status

   When joint federal but separate state returns are filed, each spouse must report his/her federal adjusted gross income separately as if the federal adjusted gross income of each had been determined on separately filed federal returns.

   If one spouse was a resident of West Virginia for the entire taxable year and the other spouse a nonresident for the entire taxable year and they filed a joint federal income tax return, they may choose to file jointly as residents of West Virginia. The total income earned by each spouse for the entire year, regardless of where earned, must be reported on the joint return as taxable to West Virginia.

   No credit will be allowed for income taxes paid to the other state. A joint return may not be filed if one spouse changes residence during the taxable year, while the other spouse maintained status as a resident or nonresident during the entire taxable year.

2. Retirement

   The first $2,000 of annuities, retirement allowances, returns of contributions and any other benefit, including survivorship benefits, received under the West Virginia Public Employees Retirement System, and the West Virginia State Teachers Retirement System, including any survivorship annuities derived therefrom, to the extent includable in gross income for federal income tax purposes.

   The first $2,000 of benefits received under any federal retirement system.

   Retirement income received in the form of pensions and annuities under any West Virginia municipal police retirement system, West Virginia municipal firemen's retirement system or the West Virginia State Police Death, Disability and Retirement Fund, the West Virginia State Police Retirement System or the West Virginia Deputy Sheriff Retirement System, including any survivorship annuities derived from any of these programs, to the extent includable in gross income for federal income tax purposes.

   For taxable years beginning after December 31, 2017, military retirement income, including retirement income from the regular Armed Forces, Reserves and National Guard paid by the United States or by this state after December 31, 2017, including any survivorship annuities is an allowable decreasing modification, to the extent the retirement benefits are included in federal adjusted gross income for the taxable year. (100% exclusion)

The State of West Virginia does not tax United States Railroad Retirement Board benefits, including unemployment compensation, disability and sick pay included on the federal return. (100% exclusion)

For tax years beginning on or after January 1, 2011 a modification was created reducing federal adjusted gross income in the amount of any qualifying contribution to a qualified trust maintained for the benefit of a child with autism. Any established trust must first be approved by the West Virginia Children with Autism Trust Board. The modification is claimed on line 49 of Schedule M with maximum amounts of $1,000 per individual filer and persons who are married but filing separately and $2,000 per year for persons married and filing a joint income tax return.

3. Military

   Active duty military pay received for the period of time an individual is on active duty as a member of the National Guard or armed forces reserve called to active duty pursuant to an Executive Order of the President of the United States for domestic security duty is an authorized modification reducing federal adjusted gross income, but only to the extent the active duty military pay is included in federal adjusted gross income for the taxable year in which it is received. W. Va. Code § 11-21-12e(a).

4. Medical

   The amount of any payment during the taxable year for premiums for a long-term care insurance policy, as defined in Section 33-15A-4 of the Code, that offers coverage to either the taxpayer, the taxpayer's spouse, parent or a dependent as defined IRC § 152, as amended, is allowed as a decreasing modification to federal adjusted gross income, but only to the extent the amount is not allowable as a deduction when arriving at the taxpayer's federal adjusted gross income for the taxable year in which the payment is made.

   The first $2,000 of contributions from any source to a medical savings account established by or for the individual pursuant to Section 33-15-20 of the Code, plus interest earned on the account, to the extent includable in federal adjusted gross income for federal tax purposes is an allowable deduction from federal adjusted gross income. For married individuals filing a joint return, the maximum deduction is computed separately for each individual.

5. Education

The amount of any payment made under a prepaid tuition contract or other college savings plan administered by the board, Board of Trustees of the College Prepaid Tuition and Savings Program established in article 30, chapter 18 of the Code, is allowed as a decreasing modification to federal adjusted gross income, but only to the extent the amount is not allowable as a deduction when arriving at the taxpayer's federal adjusted gross income for the taxable year in which the payment is made.

6. Other

   Federal adjusted gross income in the amount of $8,000 received from any source by any person who has attained the age of 65 on or before the last day of the taxable year, or by any person certified by proper authority as permanently and totally disabled, regardless of age, on or before the last day of the taxable year, to the extent includable in federal adjusted gross income for federal tax purposes: Provided, That if a person has a medical certification from a prior year and he or she is still permanently and totally disabled, a copy of the original certificate is acceptable as proof of disability. (schedule H)

   Regardless of age, a surviving spouse of a decedent may be eligible for a modification reducing his/her income up to $8,000 provided he/she did not remarry before the end of the taxable year. The modification is claimed on Schedule M. The decedent must have attained the age of 65 prior to his/her death or, regardless of age, must have been certified as permanently and totally disabled. The surviving spouse should write on the signature line for the deceased “filing as surviving spouse”.

   Additionally, a surviving spouse who has not remarried at any time before the end of the taxable year for which the return is being filed may claim an additional exemption for the two (2) taxable years following the year of death of his/her spouse.

7. Non-resident/partial year resident/reciprocity issues

   Agreements with OH, KY, MD, VA, PA if 100% of income was from WV sources.

Wisconsin

For more information: https://www.revenue.wi.gov/Pages/home.aspx

1. Wage Income

   Certain income earned by a Native American who both lives and works on the tribal reservation is not subject to WI tax. See code 11 under Line 11 (Other Subtractions) of the WI instructions.

2. Other Deductions

   Tuition and Fee Expanses may be deducted in certain cases. See Code 03 under Line 11 (Other Subtractions) of the WI instructions for specifics.

   Adoption Expenses up to $5000 of the amount paid for adoption fees may be deducted from income. See Code 08 under Line 11 (Other Subtractions) of the WI instructions.

   Child and Dependent Care Expenses. If taxpayer qualifies $3000 for one qualifying person or $6000 for more than one qualifying person may be deducted from taxable income. See Code 28 under Line 11 (Other Subtractions) of the WI instructions

3. Retirement

   Certain Local and State Retirement benefits are not taxable in WI including Wisconsin State Teachers retirement (not to be confused with retirement from Wisconsin Department of Employee Trust Funds) and Milwaukee city retirement plans. See Code 05 under Line 11 (Other Subtractions) of the WI instructions.

   Certain Federal Retirement Benefits are not taxable in WI. See Code 06 under Line 11 (Other Subtractions)

   Railroad Retirement Benefits, Railroad Unemployment Insurance and Sickness Benefits are not taxable in WI. These benefits are typically paid by the US Railroad Retirement Board. See Code 07 under Line 11 (Other Subtractions)

   Retirement Income Exclusion may subtract up to $5000 of certain retirement income if taxpayer qualifies. See Code 26 under Line 11 (Other Subtractions) of the WI instructions.

4. Military

   Military and Uniformed Services Retirement Benefits are not taxable in WI. These benefits are typically paid from the Defense Finance and

Accounting Service. See Code 04 under Line 11 (Other Subtractions) of the WI instructions.

5. Medical

   Medical Care insurance may be able to be deducted. In most cases this amount will auto-fill to the state return after entered in the federal itemized deduction area. However, be certain to check that both Medicare and any other Medical Care insurance totals correctly on Line 11 of the WI form. Also, Long Term Care Insurance premiums do not automatically carry to WI. See Code 02 under Line 11 (Other Subtractions) of the WI instructions.

6. Other

   Many other deductions are listed. Please see Line 11 (Other Subtractions) of the WI instructions.

Virginia

For more information on other topics:

1. Wage Income
   Federal/State/Local Govt income less than15K not taxable, if total wage income on return is also less than 15K. It would be difficult for TS to have a listing of all localities (including the names of school districts) to match against.

2. Itemizing Deductions
   State deduction for Charitable miles is different than the federal deduction (18cents vs. 14). TS could do this automatically. The same goes for Long Term Health Care state deduction.

3. Medical
   There are special rules for long term health care and medical/dental insurance premiums if the taxpayer is over 66 and low income. A popup message would be appropriate since these taxpayers are probably not itemizing deductions and the software would require a lot of extra input to get this done automatically.

4. Education
   Virginia has a 20% credit for teacher continuing education, if the Federal Education Credit is claimed. The only solution to this would be a flag in the software to tell the preparer to check for this, as the type of employment at a school (i.e., pre-school teaching doesn't qualify)

5. Non-resident/partial year resident/reciprocity issues
   VA/MD/DC have reciprocity where the earnings in one jurisdiction are not taxed by the other.