

Tax Notes

NYS Fiduciary Tax Returns: What Was Lost Is Now Found

By Christine G. Pronek, CPA, MST and Joseph Parmegiani, Esq., CPA

Throughout the 2018 filing season, New York State informed fiduciary filers that New York State did not decouple trust and estate fiduciary income tax returns for the provisions promulgated under the 2017 Tax Cuts and Jobs Act. This left fiduciary filers in the uncompromising position of losing certain deductions at both the New York State and federal levels. However, New York has changed its original position.

As part of the 2020 New York Executive Budget passed by both houses, New York extended the decoupling benefit available for individual returns to trusts and estates but continued to disallow the Section 199A deduction. The Department's website has been updated to reflect the fact that Governor Cuomo did sign the Executive Budget into law.

A brief synopsis of the changes follows.

Qualified Business Income Deduction

If an estate or trust was allowed a qualified business income deduction in computing federal taxable income, then that deduction is an addition reported on the fiduciary income tax return.

Deduction for State and Local Real Estate, Sales and Income Taxes

If an estate or trust claimed a deduction for taxes that was limited to \$10,000, or if that deduction was denied, then a fiduciary income tax filer can claim an additional subtraction from income on the New York fiduciary income tax return for those deductions not allowed on the federal return excluding state and local taxes not allowable as a deduction on the New York fiduciary income tax return. The State of New York will presume that the first \$10,000 of state and local taxes is the first \$10,000 of state and local taxes paid or accrued by the estate or trust during the tax year.

Miscellaneous Itemized Deductions

If an estate or trust had miscellaneous itemized deductions that were disallowed on the federal income tax return, then a subtraction will be allowed on the New York fiduciary return for the amount of disallowed miscellaneous itemized deductions reported on the federal return.

Additional Information and Effective Date

More information can be obtained by going to the [NYS Department of Finance web site](#).

All of the above modifications apply to – and are available for – all non-grantor trust and estate income tax returns filed for tax years beginning on or after January 1, 2018.

Taking Action

PKF O'Connor Davies is currently in the process of reviewing all of the filed non-grantor New York fiduciary income tax returns of its clients for the 2018 tax filing season. Your PKF O'Connor Davies partner will be contacting you if any of your fiduciary returns were affected by the change in New York tax law and whether it would be advantageous to file a 2018 New York amended fiduciary income tax return.

Contact Us

If you have any questions, please reach out to any member of your client service team at PKF O'Connor Davies or:

Christine G. Pronek, CPA, MST
Partner
Trust and Estate Department
cpronek@pkfod.com | 908.967.6806

Joseph Parmegiani, Esq., CPA
Supervisor
Trust and Estate Department
jparmegiani@pkfod.com | 908.967.6876

www.pkfod.com

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