How federal tax reform will raise homeowners’ state income taxes

There’s an unpleasant surprise awaiting homeowners who plan to use the standard deduction rather than itemize on their federal income tax next year. They could easily find themselves paying more in state income taxes in 2018 than 2017 because of the tax reform act. State and federal income taxes are closely tied. Some 41 states and the District of Columbia start the tax calculations by linking to a form of income in federal tax returns. Thirty states begin with adjusted gross income (AGI) from taxpayers’ federal forms; AGI includes all taxable income before including deductions, exemptions and credits. Eight states use taxable income (the amount after all adjustments). For individuals, the centerpiece of the new federal tax law is the huge increase in the standard deduction from $12,000 for an individual to $24,000 for a married couple. Millions of middle-class homeowners will find that the new standard deduction is greater than their itemized deductions, including the ...

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