NCSL Executive Committee Task Force on State and Local Taxation Presentation

Scottsdale, Arizona

November 17, 2018

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State Personal Income Taxes Following the Tax Cuts and Jobs Act

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General TCJA Impact

- Affects all filers and all return types
- Tax prep appointment largely the same
- Forms (federal and state) will change
- H&R Block researching and implementing changes

State Impact

- Broadening base through removal of provisions
- In general, personal income tax receipts will increase
- Form Updates: Over 10,000 changes through October
  - November usually one of the busiest month for individual changes
  - September and October: 50% increase in changes over FY18
  - Already twice as many changes as there were in all of FY14

Federal-State Relationship

Conforming states

- Rolling conformity
- Fixed date conformity

Federal starting point

- AGI
- Taxable income

Nonconforming states

- Federal references

New 1040 Page One

Form **1040** Department of the Treasury—Internal Revenue Service (99)
U.S. Individual Income Tax Return **2018** OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

Filing status: ☐ Single ☐ Married filing jointly ☐ Married filing separately ☐ Head of household ☐ Qualifying widow(er)

Your first name and initial	Last name	**Your social security number**

Your standard deduction: ☐ Someone can claim you as a dependent ☐ You were born before January 2, 1954 ☐ You are blind

If joint return, spouse's first name and initial	Last name	**Spouse's social security number**

Spouse standard deduction: ☐ Someone can claim your spouse as a dependent ☐ Spouse was born before January 2, 1954 ☐ Spouse is blind ☐ Spouse itemizes on a separate return or you were dual-status alien

☐ Full-year health care coverage or exempt (see inst.)

Home address (number and street). If you have a P.O. box, see instructions.	Apt. no.	**Presidential Election Campaign** (see inst.) ☐ **You** ☐ **Spouse**

City, town or post office, state, and ZIP code. If you have a foreign address, attach Schedule 6.

If more than four dependents, see inst. and ✓ here ▶ ☐

Dependents (see instructions): (1) First name	Last name	(2) Social security number	(3) Relationship to you	(4) ✓ if qualifies for (see inst.): Child tax credit	Credit for other dependents
				☐	☐
				☐	☐
				☐	☐
				☐	☐

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Joint return? See instructions. Keep a copy for your records.

Your signature	Date	Your occupation	If the IRS sent you an Identity Protection PIN, enter it here (see inst.)
Spouse's signature. If a joint return, **both** must sign.	Date	Spouse's occupation	If the IRS sent you an Identity Protection PIN, enter it here (see inst.)

Paid Preparer Use Only

Preparer's name	Preparer's signature	PTIN	Firm's EIN	Check if: ☐ 3rd Party Designee ☐ Self-employed
Firm's name ▶		Phone no.		
Firm's address ▶				

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form **1040** (2018)

H&R BLOCK

New 1040 Page Two

Form 1040 (2018) Page **2**

Attach Form(s) W-2. Also attach Form(s) W-2G and 1099-R if tax was withheld.

1	Wages, salaries, tips, etc. Attach Form(s) W-2				1
2a	Tax-exempt interest	2a		**b** Taxable interest	2b
3a	Qualified dividends	3a		**b** Ordinary dividends	3b
4a	IRAs, pensions, and annuities	4a		**b** Taxable amount	4b
5a	Social security benefits	5a		**b** Taxable amount	5b
6	Total income. Add lines 1 through 5. Add any amount from Schedule 1, line 22				6
7	Adjusted gross income. If you have no adjustments to income, enter the amount from line 6; otherwise, subtract Schedule 1, line 36, from line 6				7
8	**Standard deduction or itemized deductions** (from Schedule A)				8
9	Qualified business income deduction (see instructions)				9
10	Taxable income. Subtract lines 8 and 9 from line 7. If zero or less, enter -0-				10
11	**a** Tax (see inst) (check if any from: **1** ☐ Form(s) 8814 **2** ☐ Form 4972 **3** ☐)				
	b Add any amount from Schedule 2 and check here ▶ ☐				11
12	**a** Child tax credit/credit for other dependents			**b Add** any amount from Schedule 3 and check here ▶ ☐	12
13	Subtract line 12 from line 11. If zero or less, enter -0-				13
14	Other taxes. Attach Schedule 4				14
15	Total tax. Add lines 13 and 14				15
16	Federal income tax withheld from Forms W-2 and 1099				16
17	Refundable credits: **a** EIC (see inst.) **b** Sch 8812 **c** Form 8863				
	Add any amount from Schedule 5				17
18	Add lines 16 and 17. These are your total payments				18

Standard Deduction for–
- Single or married filing separately, $12,000
- Married filing jointly or Qualifying widow(er), $24,000
- Head of household, $18,000
- If you checked any box under Standard deduction, see instructions.

Refund

19	If line 18 is more than line 15, subtract line 15 from line 18. This is the amount you **overpaid**		19
20a	Amount of line 19 you want **refunded to you.** If Form 8888 is attached, check here ▶ ☐		20a
▶ b	Routing number	▶ **c** Type: ☐ Checking ☐ Savings	
▶ d	Account number		
21	Amount of line 19 you want **applied to your 2019 estimated tax** ▶	21	

Direct deposit? See instructions.

Amount You Owe

22	**Amount you owe.** Subtract line 18 from line 15. For details on how to pay, see instructions ▶		22
23	Estimated tax penalty (see instructions) ▶	23	

Go to *www.irs.gov/Form1040* for instructions and the latest information. Form **1040** (

Specific Changes of Note

- Tax rate reductions
- Child Tax/Other Dependent Credit
- Standard deduction/exemption changes

Effect of Standard Deduction & Exemption Changes

- Example: MFJ w/3 children, $24,000 federal standard deduction for 2018 is $11,300 more than 2017 ($12,700)
- 2018 standard deduction ($13,000 pre-TCJA)
- 2018 exemption ($4,150 pre-TCJA) x5
- Difference = $24,000 - $13,000 - $20,750 = ($9,750)

Bottom line: taxable income almost $10K higher

Specific Changes of Note

- Tax rate reductions
- Child Tax/Other Dependent Credit
- Standard deduction/exemption changes
- Itemized deduction changes
- QBI deduction
- NOLs