

NY NATP

Winter Webinar Series now available on demand

Registration is now available! See page 4 for more information!

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E-News

New York Chapter of NATP
Monthly Newsletter

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New York State Chapter of NATP

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NewYorkNATP.com

This Month's Issue

- NYS Notice Issues
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- NY NATP Webinar Series open for registration
- Did you know?

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NYS Notice Issues

If your practice is anything like mine you have probably noticed that New York State Department of Taxation (NYS DTF) has been sending out a series of tax notices. I find that there are three issues that NYS DTF have been concentrating on. One has commonly been referred to as the Desk Audit where they ask for receipts when they feel your NYS itemized deductions are too high. The second issue that NYS DTF has been auditing is the non-New York State municipal bond interest that needs to be added back on the New York State on line 20 of the Form IT-201. Lastly, are the Sec. 529 Plan contribution deductions. I would like to discuss these three issues separately.

As for the NYS Desk Audit where the Department of Taxation and Finance may request that you provide receipts of the deductions taken on the taxpayer's Form IT-196. Typically, they have been requesting copies of the taxpayer's property taxes, mortgage interest, gifts to charity and the miscellaneous deductions taken on the Form IT-196. In my office we request and maintain PDF copies of all these documents which include the property tax receipts, Form 1098 - mortgage interest, copies of the canceled checks and/or the acknowledgment letters thanking the taxpayer for their gifts. The receipts for the miscellaneous deductions may vary but when it comes to the investment expense, I usually provide a calculation as to how I arrived at the NYS investment expense deductions. You should be aware your tax program may be drawing the investment expense amount from what would have been your federal 2% miscellaneous deduction amount. As we all know, the 2% miscellaneous deductions do not exist for the federal itemize purposes, but that amount should still be calculated. I say this since the taxpayer may **not** be entitled to the full investment expense deduction due to the allocation of non-taxable interest or dividends. If your client has non-taxable municipal bond interest you would have to adjust the federal deduction accordingly. It should be mentioned that when the investment expense that is properly reported for federal purposes may need to be adjusted again for NYS purposes to reflect the addition to interest income due to the non-NY municipal bond interest along with the deduction of any U.S. Treasury Bond interest.

When responding back to the NYS audit department for these desk audits I find that it's a good practice to provide scheduled for each of the sections of itemized deductions so that it is clear to the NYS desk auditor how you have arrived at your numbers. This is especially true when it comes to the charitable contributions. I find that if you provide the list of charitable contributions along with the corresponding check number (if available), along with the date of the check or contribution letter plus the corresponding amount of the contribution, this will assist the auditor by streamlining the process.

As for the NYS tax notices indicating that your non-NY municipal bond interest add back may be incorrect, a good practice is to make sure when you are inputting the municipal bond interest, care should be taken to properly record the NYS municipal bond interest portion. I find using an Excel template to list the municipal bond interest by NY and non-NY states, that this will provide a clear workpaper as to how you arrived at the portion of the non-NY municipal bond interest that would need to be added back. This Excel template is also useful if there is any accrued non-NY municipal bond interest that would be subtracted against the non-NY municipal bond interest.

One other issue that I think is important to discuss is the Premium Bond Interest paid on non-NY bonds. Premium Bond Interest is the excess amount that the taxpayer pays when they purchase a bond on the secondary market and is the result of current market interest rate fluctuations. Simply put, bond premiums and discounts are the adjustments made to the current price of the bond based on the difference between the coupon rate of the bond and the market interest rate at the time of purchase. The accounting for the premium amounts can be tricky to account for on the client's tax returns since NYS does not allow these premium or discount amounts to be netted directly against the municipal bond interest on municipal bonds held for personal investments. You should be aware that NYS only allows those premiums to be deducted as an itemized deduction. These additional deductions should be entered on page 3 of the NYS IT-196. The good news is that you only need to account for the non-NY bond premiums and accrued interest. Any NY bond premiums or accrued interest do not need to be adjusted since they are not taxable on the federal nor the state returns and does not affect the municipal bond interest add back amount.

Lastly, there are those NYS tax notices that indicate that NYS is questioning your Sec. 529 Plan deduction. If you have a NYS tax notice that indicates that they do not have any record of your ownership in a Sec. 529 Plan and you are in receipt of your client's NYS 529 Plan statement, please be aware that this may mean that there was a 529 plan payment made by a non-owner of your NYS 529 plan. That is to say, only owners of the NY Sec. 529 Plan can take a NYS deduction. Non-owners can make contributions, but those contributions are not deductible on your NYS tax return. To avoid this situation, you should advise your clients that all contributions should be made from bank accounts with the owner's name on that account, be it the owner's bank account or a joint account with their spouse. As long as the owner of the Sec. 529 account is using a checking account that he or she owns, the deduction for that contribution will be accepted.

Thank you and I hope to see you at a future NATP NY Chapter in-person seminar or at one of our upcoming January webinars.

Ed Arcara, CPA
Buffalo, NY

NY NATP 2025-2026 Winter Webinar Series

ALL WEBINARS WILL BE AVAILABLE ON DEMAND SHORTLY AFTER THE LIVE WEBINAR

2 hr Webinars are \$40/each and 1 hr Webinars are \$30/each

Preparing a Basic IT 201 Tax Return *Presented by Dan Paoletti, EA*

On Demand

This hands on course will discuss the ins and outs of preparing a basic NY IT201 Tax Return. We will review filing requirements, filing status, most common adjustments to NYS Income and introduce some basic NYS Tax credits

New York State Modifications *Presented by Dan Paoletti, EA*

On Demand

New York State tax returns are prepared after the federal return has been completed. Tax professionals begin with federal adjusted gross income (AGI) then apply the numerous New York State modifications to income. More commonly used modifications are the primary focus, while rarely used modifications are presented for awareness only. At the end of the section, attendees should be able to recognize and correctly calculate common NYS adjustments to income and be aware of the less common NYS adjustments to income

New York State Individual Tax Credits *Presented by Dan Paoletti, EA*

On Demand

New York State and the City of New York, offer many tax credits. Some are simple and handled by professional tax software with little or no additional steps while others require filing. This module addresses the more common and most recently enacted tax credits.

After attending this session, attendees should be able to:

- Recognize commonly used New York State and New York City tax credits
- Advise clients on potential tax credits in tax planning
- Properly calculate and apply commonly used NYS/NYC tax credits
- Understand ordering and carryover rules and determine when they apply
- Recognize Awareness Topics in credits and Other NYS Taxes

To Register or For more information please visit:

<https://www.natptax.com/events-education/catalog/?page=1&facetStateNational=State%2FChapter&query=new+york>

NYS IT203 Nonresident and Part Year Resident *Presented by Rick Rottkamp, EA*

On Demand

This webinar deals with the filing intricacies a New York State connected taxpayer may encounter as well as the following:

- Determine the effects nonresident and part year residency could have on filing status.
- Explain key definitions including domicile, residence, permanent place of abode and statutory resident.
- Cover the primary and secondary factors in determining domicile.
- Learn the types of New York income sourced to nonresidents.
- Discuss types of income requiring allocation and review the income allocation worksheet.
- Explain the three-factor apportionment method, special accruals and preparation of form IT-2663, Nonresident real property estimated income tax.
- Discuss Telecommuting including the Convenience Rule

Form 1127 Non-Resident Employees of NYC *Presented by Kathryn Keane, EA*

On Demand Shortly

This hands-on session will explore Form 1127, for Taxpayers who work for the City of New York but live outside the five boroughs of NYC. Course will explore who is required to file the form, who is considered a NYC Employees and help calculate the city waiver liability.

NYS and the Retiree *Presented by Kathryn Keane, EA*

On Demand Shortly

This webinar will discuss the two NY retirement income exclusions: The Pension and Annuity Income Exclusion and the Pensions of New York State, Local Governments and the Federal Government Exclusion as well as a thorough review of the federal issues

Special FREE Webinar for NATP Members Only:

NY NATP Late Breaking NYS Update *Presented by Kathryn M Keane, EA*

On Demand

This seminar will update members on the most recent changes in NY tax law changes that are known. 2024 has been a unique year in many ways. See how New York is addressing some of the tax areas that have come up.

Did you know?

If you need more info, email: newyorknatp@gmail.com

[Hochul Warns New York Taxpayers About Inflation Refund Scams](#)

New York's tax department won't contact taxpayers by text or phone to request personal information for the state's inflation refund program, Gov. Kathy Hochul (D) reminded taxpayers in an alert about an ongoing scam involving refund checks

[New York Tribunal: Companies' Management Services Fees Are Taxable](#)

The subscription fees charged by two management service companies are subject to sales tax, the New York Tax Appeals Tribunal ruled in *Matter of FacilitySource LLC* and *Matter of FacilitySource Northeast Services LLC*

[New York ALJ Grants Private School Child Care Expense Credit](#)

In *Matter of the Petition of Weinberger*, the New York Division of Tax Appeals held that a taxpayer supplied adequate evidence proving their eligibility for a child and dependent care tax credit for payments made to a private school childcare for their dependent child.

[New York Creates Tax Exemption for Property Transfers to Low-Income Households](#)

New York A. 355-C, signed into law on October 16 as Chapter 432, creates a partial property tax exemption for residential real properties transferred by government entities, nonprofit housing organizations, land banks, or certain community land trusts to qualified low-income households; the exemption will total between 25 percent and 75 percent of the assessed value of a qualified residential property.



Newsletter Committee:

Kathryn M. Keane, EA
Christina Parisi &

Want to help out on the Newsletter? We need you!

The newsletter needs many types of help, from ideas on articles to writers, even a drawing. Please reach out to Kathryn Keane at newyorknatp@gmail.com if you can help out.

We are looking for articles on:

- New credits
- Hiring and Retaining Staff
- Work/Life Balance
- Building a Practice
- Exit Ideas
- Literally Anything!!!!

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<https://newyorknatp.com/quickfinder-purchase/>

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The NY Chapter THANKS YOU FOR YOUR SUPPORT!!