



WHAT'S NEW

PRE THE

IRS FORMS and INSTRUCTIONS and NOTICES

2007

2007 State and Local Income Tax Refund Worksheet Form 1040 Line 10

Worksheet 1 - 2006 Schedule A worksheet as filed

- 1 Enter the total amount from Schedule A, line 5 1 _____
- 2 Multiply line 1 by 80% (.80) 2 _____
- 3 Enter the amount from 1040, line 38 3 _____
- 4 Enter: \$145,950 (\$72,975 if married filing separately) 4 _____
- 5 Subtract line 4 from line 3 5 _____
- 6 Multiply line 5 by 3% (.03) 6 _____
- 7 Enter the smaller of line 2 or line 6 7 _____
- 8 Total state and local taxes deducted on 2006 return. Subtract line 7 from line 1 8 _____

Worksheet 2 - 2006 Schedule A worksheet recomputed using original Schedule A line 5 less state refunds

- 1 Enter the total state taxes actually paid in 2006 (line 1 above less state refund received in 2007 and reported on 2007 Form 1099-G) 1 _____
- 2 Multiply line 1 by 80% (.80) 2 _____
- 3 Enter the amount from 1040, line 38 3 _____
- 4 Enter: \$145,950 (\$72,975 if married filing separately) 4 _____
- 5 Subtract line 4 from line 3 5 _____
- 6 Multiply line 5 by 3% (.03) 6 _____
- 7 Enter the smaller of line 2 or line 6 7 _____
- 8 Total state and local taxes that would have been deducted if Schedule A line 5 reflected only the portion of the total state and local taxes paid that were due 8 _____

Worksheet 3 - Difference

- 1 Enter the amount from line 8, worksheet 1 above 1 _____
- 2 Enter the amount from line 8, worksheet 2 above 2 _____
- 3 Subtract line 2 from line 1. This is the **maximum** amount of the total refund that is taxable in 2007 3 _____

If line 3 is -0- or less, **STOP**. None of your state refund is taxable.
 If line 3 is greater than -0-, complete worksheet 4 below to determine how much of your state refund is taxable.

Worksheet 4 - State and Local Income Tax Refund Worksheet

- 1 Enter the amount from line 3, worksheet 3 above 1 _____
 - 2 Enter your total allowable itemized deductions from your 2006 Schedule A line 28 2 _____
- Note.** If your 2006 filing status was MFS and your spouse itemized deductions in 2006, skip lines 3, 4, and 5, and enter the amount from line 2 on line 6 below.
- 3 Enter the amount shown below for the filing status claimed on your 2006 Form 1040.
 - Single - \$5,000
 - Married filing jointly, or qualifying widow(er) - \$10,000
 - Married filing separately - \$5,000
 - Head of household - \$7,300 3 _____

- 4 Did you fill in line 39a on your 2006 Form 1040?
No. Enter -0-.
Yes. Multiply the number in the box on line 38a of your 2006 Form 1040 by:
 - \$1,000 if your 2006 filing status was MFJ or MFS or QW;
 - \$1,250 if your 2006 filing status was single or HOH 4 _____

- 5 Add lines 3 and 4 5 _____
- 6 Is the amount on line 5 less than the amount on line 2?
No. STOP None of your refund is taxable.
Yes. Subtract line 5 from line 2 6 _____
- 7 **Taxable part of your refund.** Enter the **smaller** of line 1 or line 6 here 7 _____

Worksheet 5 - State and Local Income Tax and General State Sales Tax Computation

- 1 2006 State Income Tax Deduction from Schedule A, Line 5 1 _____
- 2 2006 State General Sales Tax Deduction not taken on Schedule A, Line 5 2 _____
- 3 Difference 3 _____
- 4 Taxable part of your refund from line 7 of worksheet 4 4 _____
- 5 Lesser of line 3 or 4 5 _____

This is the maximum taxable portion of your state 2007 refund.