State Individual Income Taxes: Treatment of Select Itemized Deductions, 2006

State	Federal Income Tax	State General Sales Tax	State Personal Property Tax	Interest Expenses	Medical Expenses	Charitable Contributions	Mortgage Interest	Casualty Losses
FEDERAL *	**N**	**Y [a]**	**Y**	**Y [b]**	**Y [c]**	**Y [d]**	**Y [e]**	**Y [f]**
Alabama *	Y	N	Y	Y	Y	Y	Y	Y
Alaska	**NO STATE INCOME TAX**							
Arizona *	N	Y	Y	Y	Y	Y	Y	Y
Arkansas	N	N	Y	Y	Y	Y	Y	Y
California *	N	N	Y	Y	Y	Y	Y	Y
Colorado *	**STARTING POINT FOR COLORADO TAXABLE INCOME IS FEDERAL TAXABLE INCOME**							
Connecticut	**ITEMIZED DEDUCTIONS ARE NOT PERMITTED**							
Delaware *	N	N/A	N/A	Y	Y	Y	Y	Y
District of Columbia *	N	N	Y	Y	Y	Y	Y	Y
Florida	**NO STATE INCOME TAX**							
Georgia *	N	Y	Y	Y	Y	Y	Y	Y
Hawaii *	N	Y	Y	Y	Y	Y	Y	Y
Idaho *	N	N	Y	Y	Y	Y	Y	Y
Illinois	**ITEMIZED DEDUCTIONS ARE NOT PERMITTED**							
Indiana	**ITEMIZED DEDUCTIONS ARE NOT PERMITTED**							
Iowa *	Y (see notes)	N	Y	Y	Y	Y	Y	Y
Kansas *	N	Y	Y	Y	Y	Y	Y	Y
Kentucky *	N	N	Y	Y	Y	Y	Y	Y
Louisiana *	Y (see notes)	Y	Y	Y	Y	Y	Y	Y
Maine *	N	N	Y	Y	Y	Y	Y	Y
Maryland *	N	Y	Y	Y	Y	Y	Y	Y
Massachusetts *	N	N	N	N	N	N	N	N
Michigan	**ITEMIZED DEDUCTIONS ARE NOT PERMITTED**							
Minnesota *	**STARTING POINT FOR MINNESOTA TAXABLE INCOME IS FEDERAL TAXABLE INCOME**							
Mississippi	N	Y	Y	Y	Y	Y	Y	Y
Missouri *	N	Y	Y	Y	Y	Y	Y	Y
Montana *	Y	N/A	Y	Y	Y	Y	Y	Y
Nebraska *	N	N	Y	Y	Y	Y	Y	Y
Nevada	**NO STATE INCOME TAX**							

New Hampshire	**ITEMIZED DEDUCTIONS ARE NOT PERMITTED**							
New Jersey *	N	N	Y	N	Y	N	N	N
New Mexico *	N	Y	Y	Y	Y	Y	Y	Y
New York *	N	Y	Y	Y	Y	Y	Y	Y
North Carolina *	**STARTING POINT FOR NORTH CAROLINA TAXABLE INCOME IS FEDERAL TAXABLE INCOME**							
North Dakota	**STARTING POINT FOR NORTH DAKOTA TAXABLE INCOME IS FEDERAL TAXABLE INCOME**							
Ohio	**STARTING POINT FOR OHIO TAXABLE INCOME IS FEDERAL TAXABLE INCOME**							
Oklahoma	N	Y	Y	Y	Y	Y	Y	Y
Oregon *	N	N/A	Y	Y	Y	Y	Y	Y
Pennsylvania	**ITEMIZED DEDUCTIONS ARE NOT PERMITTED**							
Rhode Island *	N	Y	Y	Y	Y	Y	Y	Y
South Carolina *	**STARTING POINT FOR SOUTH CAROLINA TAXABLE INCOME IS FEDERAL TAXABLE INCOME**							
South Dakota	**NO STATE INCOME TAX**							
Tennessee	**ITEMIZED DEDUCTIONS ARE NOT PERMITTED**							
Texas	**NO STATE INCOME TAX**							
Utah *	Y (50%)	N	Y	Y	Y	Y	Y	Y
Vermont	**STARTING POINT FOR VERMONT TAXABLE INCOME IS FEDERAL TAXABLE INCOME**							
Virginia *	N	Y	Y	Y	Y	Y	Y	Y
Washington	**NO STATE INCOME TAX**							
West Virginia	**ITEMIZED DEDUCTIONS ARE NOT PERMITTED**							
Wisconsin	**ITEMIZED DEDUCTIONS ARE NOT PERMITTED**							
Wyoming	**NO STATE INCOME TAX**							

N/A = tax is not levied at the state-level
* = See Notes

Notes :

FEDERAL

a. State general sales tax can only be deducted if the taxpayer elects not to deduct state income taxes.
b. Personal interest expenses (e.g. the interest paid on a loan to secure a car for recreational use) cannot be deducted.
c. Medical deductions are limited to expenses greater than 7.5% of federal adjusted gross income.
d. Charitable contributions in excess of 20% of federal adjusted gross income may be limited depending on the type of contribution and the recipient organization.
e. Mortgage interest is fully deductible only if it falls into one or more of the following three categories:

1. The mortgage was secured on or before October 13, 1987 (grandfathered debt).
2. The mortgage was secured after October 13, 1987 and used to buy, build, or improve the home, but only if this mortgage plus any grandfathered debt totaled $1 million or less throughout 2006. The limit is $500,000 if the tax filer is married filing separately.
3. The mortgage was secured after October 13, 1987 and used for a purpose other than to buy, build, or improve the home, but only if this mortgage totaled $100,000 or less throughout 2006, and all mortgages on the home totaled no more than its fair market value. The limit is $50,000 if the taxpayer is married filing separately.

f. Casualty deductions are equal to the lesser of 1) the decrease in fair market value as a result of the casualty minus $100 or 2) the adjusted basis in the property before the casualty minus $100.

(For detailed information regarding the federal treatment of itemized deductions, see IRS Tax Topic 500 available at http://www.irs.gov/taxtopics/tc500.html)

Alabama
Medical deductions are limited to expenses greater than 4% of Alabama adjusted gross income. The loss on personal property must be reduced by 10% of Alabama adjusted gross income. All taxpayers, including those who are not itemizing deductions, may deduct federal income taxes from their Alabama state return.

Arizona
Arizona follows the federal treatment of itemized deductions; however, all medical expenses are fully deductible.

California
California follows the federal treatment of itemized deductions; however, state general sales tax is not deductible.

Colorado
Colorado state income tax is based on federal taxable income; taxpayers who did not itemize deductions when calculating their federal income tax may not itemize deductions for Colorado income tax purposes. For those who did itemize deductions on the federal level, they must add back the deduction for state income taxes when calculating their Colorado income tax.

Delaware
Delaware follows the federal treatment of itemized deductions; however the following increases to the federal deductions must be made when calculating the deductions for the state: (1) the amount equal to the excess of the state employee automobile mileage reimbursement allowance over the standard mileage rate allowed as a charitable deduction for federal income tax purposes for unreimbursed automobile transportation expense incurred while serving as a volunteer for a charitable organization as defined in IRC Sec. 170(c), and (2) the amount paid by a self-employed taxpayer for medical care insurance for the taxpayer, the taxpayer's spouse or dependents, less the amount allowed for federal purposes to self-employed individuals and shareholders of S corporations as a deduction for medical insurance costs (IRC Sec. 162).

District of Columbia
District of Columbia follows the federal treatment of itemized deductions; however, District general sales tax is not deductible.

Georgia
Georgia follows the federal treatment of itemized deductions.

Hawaii
Hawaii follows the federal treatment of itemized deductions.

Idaho
Idaho follows the federal treatment of itemized deductions; however, state general sales tax is not deductible.

Iowa
All taxpayers, including those who are not itemizing deductions, may deduct federal income taxes from their Iowa state return.

Kansas
Kansas follows the federal treatment of itemized deductions.

Kentucky
Kentucky follows the federal treatment of itemized deductions; however, state general sales tax is not deductible. Artistic charitable contributions are allowed as

adjustments to income if not itemizing.

Louisiana
All taxpayers, including those who are not itemizing deductions, may deduct federal income taxes from their Louisiana state return.

Maine
Maine follows the federal treatment of itemized deductions; however, state general sales tax is not deductible.

Maryland
Maryland follows the federal treatment of itemized deductions. For individuals whose adjusted gross income exceeds $100,000 ($50,000 in the case of a separate return by a married individual), the amount of the itemized deductions otherwise allowable must be reduced by the lesser of 3% of the excess of adjusted gross income over the applicable amount, or 80% of the amount of the itemized deductions otherwise allowable for the taxable year.

Massachusetts
Massachusetts does not allow for any of the selected itemized deductions; however, it does provide a limited set of deductions including a deduction for Social Security taxes and disabled dependent care.

Minnesota
Minnesota state income tax is based on federal taxable income; taxpayers who itemized deductions when calculating their federal income tax must add back the deduction for state income and state sales taxes when calculating their Minnesota income tax.

Missouri
Missouri follows the federal treatment of itemized deductions; however the following increases to the federal deductions must be made when calculating the deductions for the state: (1) the value of a literary, musical, scholarly or artistic composition contributed to a nonprofit organization operated by any taxpayer whose efforts created the composition less the federal adjusted gross income deduction for the contribution and by (2) any amount of Social Security, railroad retirement system or self-employed taxes paid, to the extent that such taxes were not deducted in the computation of the taxpayer's federal adjusted gross income (Sec. 143.141, RSMo).

Montana
Montana follows the federal treatment of itemized deductions with the exception of premium payments for medical care and long-term care insurance, which are not deductible.

Nebraska
Nebraska follows the federal treatment of itemized deductions; however, state general sales tax is not deductible. Some exceptions to the allowable itemized deductions apply at higher income levels.

New Jersey
Medical deductions are limited to expenses greater than 2% of gross income.

New Mexico
New Mexico follows the federal treatment of itemized deductions.

New York
New York follows the federal treatment of itemized deductions; however the New York itemized deductions must be reduced by the sum of (1) an amount equal to the New York itemized deduction multiplied by a percentage (such percentage to be determined by multiplying 25% by a fraction, in the case of an unmarried individual or married individual filing separately, the numerator of which is the lesser of $50,000 or the excess of the individual's New York adjusted gross income over $100,000 and the denominator of which is $50,000, in the case of a married individual filing jointly or a surviving spouse, the numerator of which is the lesser of $50,000 or the excess of the individual's New York adjusted gross income over $200,000 and the denominator of which is $50,000, and in the case of a head of household, the numerator of which is the lesser of $50,000 or the excess of the individual's New York adjusted gross income over $150,000 and the denominator of which is $50,000) and (2) an

amount equal to the New York itemized deduction of an individual multiplied by a percentage (the percentage to be determined by multiplying 25% by a fraction, the numerator of which is the lesser of $50,000 or the excess of the individual's New York adjusted gross income over $475,000 and the denominator of which is $50,000) (Ch. 60, Sec. 615).

North Carolina
North Carolina state income tax is based on federal taxable income; taxpayers who itemized deductions when calculating their federal income tax must add back the deduction for state income when calculating their North Carolina income tax.

Oregon
Oregon follows the federal treatment of itemized deductions.

Rhode Island
Rhode Island follows the federal treatment of itemized deductions.

South Carolina
South Carolina state income tax is based on federal taxable income; taxpayers who itemized deductions when calculating their federal income tax must add back the deduction for state income and state sales taxes when calculating their South Carolina income tax.

Utah
All taxpayers, including those who are not itemizing deductions, may deduct 50% of federal income taxes from their Utah state return.

Virginia
Virginia follows the federal treatment of itemized deductions.

Sources:
CCH Tax Research NetWork
State Individual Income Tax Codes