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Fourth Quarter 2014 Estimated State Income Tax Payment Options

State income taxes are deductible on your federal income tax return if you file "Schedule A Itemized Deductions." The last state income tax estimate for 2014 is due on January 15, 2015. You can get the deduction in 2014 instead of 2015 on your federal return by making the last state income tax estimate payment by December 31, 2014. This "prepayment option" is available each year.

In addition, if you believe that you will owe additional state income taxes, you can increase the fourth quarter payment made in December 2014 to deduct the entire amount of 2014 state income taxes on your 2014 federal return. Just white out the amount in the last estimate & fill in the revised amount. Any overpayment on your state income taxes must be claimed as income in the year received.

Taxpayers again have the option of deducting their payments for actual sales taxes paid in lieu of state income tax. If you plan to deduct sales tax paid, you might want to defer paying your final state income tax estimate into the following year.

Some taxpayers may be affected by the Alternative Minimum Tax (AMT). The AMT does not allow deductions for taxes (sales tax or state income tax) or miscellaneous itemized deductions. If you had an entry on line 45 on page 2 of your 2010 Form 1040, you were subject to AMT last year and may be subject to AMT in 2014.

If you have any questions regarding your potential exposure to the Alternative Minimum Tax or you would like a projection done on your 2014 federal & state income liability or have any questions, please feel free to call.

Yours truly,

Bob Neiman