

New York State Department of Taxation and Finance
Taxpayer Services Division
Technical Services Bureau

TSB-M-86-(8) I
Income Tax
December 18, 1986

This memorandum supersedes memorandum
TSB-M-79-(6)-I dated July 5, 1979,
which should be destroyed.

Modifications to Federal Adjusted Gross Income for Interest
on Federal, State and Municipal Bonds and Obligations

Generally, the taxation of interest income for New York State purposes conforms to the federal determination. In the case of certain bonds or obligations issued by the United States government, states, or municipalities, there are exceptions. The interest of some may be taxable for federal income tax purposes or for New York State personal income tax purposes, but not both (Tax Law, Sections 612(b) and (c); Regulations, Sections 116.2 and 116.3).

The following list states whether the interest income received on certain governmental obligations is subject to New York State income tax. The list also reflects a change of policy on the taxability of interest income from Consolidated Systemwide obligations issued by the Federal Farm Credit Banks Funding Corporation and obligations of the Student Loan Marketing Association (Sallie Mae). This is not an all-inclusive list.

<u>Agency and Obligations</u>	<u>Subject to NY State Income Tax</u>
Banks for Cooperatives - interest on bonds and debentures	No
Bonds and obligations of states other than New York	Yes
Export-Import Bank of the United States (Eximbank):	
a) Series 1978-B debentures	No
b) Participation certificates (reversal of counsel opinion dated 8/29/67)	Yes
Farmers Home Administration - Notes:	
a) Interest paid by maker	Yes
b) Interest paid by United States government	No
Federal Farm Credit Banks Funding Corporation:	
a) Farm Credit Banks-interest on bonds and debentures	No
b) Consolidated Systemwide notes and bonds	No*
Federal Home Loan Bank - interest on bonds and debentures	No
Federal Home Loan Mortgage Corp.	Yes

<u>Agency and Obligations</u>	<u>Subject to NY State Income Tax</u>
Federal Housing Authority Debentures	No
Federal Intermediate Credit Banks - interest on bonds and debentures	No
Federal Land Bank - interest on bonds and debentures	No
Federal National Mortgage Association (Fannie Mae):	
a) Interest on bonds and debentures (all tax years)	Yes
b) Guaranteed Participation Certificates	
1. Tax years beginning prior to 1/1/77	No
2. Tax years beginning after 1-/31/76	Yes
General Services Administration Participation. Certificates	No
Government National Mortgage Association (Ginnie Mae)	Yes
Grace Lines, SS Santa Lucia Bonds (Prud. Grace Line)	Yes
Guam	No
Home Owners Loan Corporation	No
Housing Finance Agency - New York State	No
Inter-American Development Bank Bonds	Yes
International Bank for Reconstruction & Development (International Bank Bonds)(World Bank)	Yes
Jonathan Development Corp. (obligations guaranteed under New Communities Act of 1968 (42 USCA 3902)	Yes
Lake Placid Housing Development Funding Corporation	No
Niagara Hydro Housing Corp. Bonds	Yes
Panama Canal Bonds specifically exempt from tax by U.S.C. 5744 & 5745 - interest on bonds	No
Port Authority of New York	No

<u>Agency and Obligations</u>	<u>Subject to NY State Income Tax</u>
"Project Notes" (Housing & Urban Development):	
a) Issued by other states	Yes
b) Issued by United States territories and possessions	No
Puerto Rico:	
a) Government of, or by its authority	No
b) Water resources - 4.2% bonds due 1/1/89- interest on bonds	No
Small Business Administration Bonds	Yes
Student Loan Marketing Association (Sallie Mae)	No*
Tennessee Valley Authority	No
Virgin Islands	No
United States Merchant Marine Ship Notes	Yes
United States Retirement Bonds (Purchases under self-employed retirement plan or IRA plan)	No
United States Savings Bonds	No
United States Treasury Bills:	
a) Interest	No
b) Gain on sale	Yes
United States Treasury Notes:	
a) Interest	No
b) Gain on sale	Yes
Washington, D.C.:	
a) Metropolitan Area Transit Authority	Yes
b) Housing and Urban Development	Yes

* Based upon a review of the applicable federal provisions, it has been determined that the interest income from these obligations is not subject to the New York State personal income tax. Any taxpayer who under prior policy was not permitted to make a subtraction modification for the interest income from the Consolidated Systemwide obligations and obligations of the Student Loan Marketing Association may file an amended return for any tax year where the statute of limitations has not expired and claim this deduction.