

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

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Income Tax  
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New York Additions and Subtractions to Federal Adjusted  
Gross Income and Itemized Deductions for Interest on  
Indebtedness Incurred or Continued to Purchase  
Tax Exempt Obligations and Securities

Chapter 406 of the Laws of 1990 amended those provisions of the New York State Tax Law and the Administrative Code of the City of New York relating to the additions and subtractions to federal adjusted gross income and itemized deductions for interest or indebtedness incurred or continued to purchase tax exempt obligations or securities. An explanation of the new law follows.

Sections 612(b)(4) and 615(c)(2) of the Tax Law require taxpayers to increase federal adjusted gross income or to decrease federal itemized deductions by the amount of any federal deduction for interest on indebtedness incurred or continued to purchase obligations or securities that are subject to federal income tax but are exempt from state income tax. Sections 612(c)(9) and 615(c)(2) permit taxpayers to decrease federal adjusted gross income or increase federal itemized deductions for any interest on indebtedness incurred or continued to purchase obligations or securities that are exempt from federal income tax but are subject to state income tax. Chapter 406 amended these sections to define tax exempt obligations or securities for purposes of these sections as obligations or securities the "interest on which" is exempt from tax. Under prior law, these items were defined as obligations or securities the "income from which" is exempt from tax. The new law was enacted to conform the New York definition to the definition contained in comparable provisions of the Internal Revenue Code and to make it clear that even though the gain upon the sale or other disposition of these obligations or securities may be subject to tax, the modifications must be made if the interest on the obligations or securities is exempt from either state or federal taxes. The comparable provisions of the Administrative Code were also amended to conform to the state changes.

The amendments, which only clarify existing law, are effective immediately. However, since the amendments reflect the Department's current interpretation of these provisions, no changes in administration or procedure are required.