

Major Components in the Calculation of Federal Taxable Income (Based on 2008 Tax Year)

Compute **Total Income**
1040 Line 22

- **Wages, salaries, tips**
- **Interest and dividends**
- **Alimony received**
- **Business and capital gains income / or losses**
- **IRA distributions**
- **Pensions and annuities**
- **Rents, royalties and partnership income**
- **Farm income and losses**
- **Unemployment compensation**
- **Portion of Social Security**

Subtract for **Adjusted Gross Income (AGI)**
1040 Line 37

- **Self-employment tax and health insurance**
- **Contributions to IRA/Keogh/MSAs/HSAs**
- **Alimony paid**
- **Student loan interest**
- **Penalty on early withdrawal of savings**
- **Tuition and fees deduction**
- **Domestic production activities deduction**
- **Job-related moving expenses**
- **Other Expenses (educators, reservists, performing artists and fee-basis government officials)**

Subtract Exemptions &
Deductions for **Taxable Income** 1040 Line 43

- **Personal exemptions**
- **Standard or itemized deductions**
- **Itemized deductions include:**
 - **Medical and dental expenses**
 - **Taxes paid (state income tax, sales tax, and property tax)**
 - **Mortgage interest**
 - **Gifts to charity**
 - **Casualty or theft losses**
 - **Job expenses**
 - **Other expenses**

STATE PERSONAL INCOME TAXES: FEDERAL STARTING POINTS

(as of January 1, 2007)

STATE	Relation to Internal Revenue Code	Tax Base
ALABAMA	---	---
ALASKA	no state income tax	
ARIZONA	1/1/06	federal adjusted gross income
ARKANSAS	---	---
CALIFORNIA	1/1/05	federal adjusted gross income
COLORADO	Current	federal taxable income
CONNECTICUT	Current	federal adjusted gross income
DELAWARE	Current	federal adjusted gross income
FLORIDA	no state income tax	
GEORGIA	1/1/06	federal adjusted gross income
HAWAII	12/31/05	federal adjusted gross income
IDAHO	1/1/06	federal taxable income
ILLINOIS	Current	federal adjusted gross income
INDIANA	1/1/06	federal adjusted gross income
IOWA	1/1/06	federal adjusted gross income
KANSAS	Current	federal adjusted gross income
KENTUCKY	12/31/04	federal adjusted gross income
LOUISIANA	Current	federal adjusted gross income
MAINE	12/31/05	federal adjusted gross income
MARYLAND	Current	federal adjusted gross income
MASSACHUSETTS	Current	federal adjusted gross income
MICHIGAN	Current (a)	federal adjusted gross income
MINNESOTA	5/18/06	federal taxable income
MISSISSIPPI	---	---
MISSOURI	Current	federal adjusted gross income
MONTANA	Current	federal adjusted gross income
NEBRASKA	2/14/07	federal adjusted gross income
NEVADA	no state income tax	
NEW HAMPSHIRE	on interest & dividends only	
NEW JERSEY	---	---
NEW MEXICO	Current	federal adjusted gross income
NEW YORK	Current	federal adjusted gross income
NORTH CAROLINA	1/1/06	federal taxable income
NORTH DAKOTA	Current	federal taxable income
OHIO	Current	federal adjusted gross income
OKLAHOMA	Current	federal adjusted gross income
OREGON	Current	federal taxable income
PENNSYLVANIA	---	---
RHODE ISLAND	6/3/01	federal adjusted gross income
SOUTH CAROLINA	12/31/05	federal taxable income
SOUTH DAKOTA	no state income tax	
TENNESSEE	on interest & dividends only	
TEXAS	no state income tax	
UTAH	Current	federal taxable income
VERMONT	1/1/05	federal taxable income
VIRGINIA	12/31/05	federal adjusted gross income
WASHINGTON	no state income tax	
WEST VIRGINIA	1/1/06	federal adjusted gross income
WISCONSIN	12/31/04	federal adjusted gross income
WYOMING	no state income tax	
DIST. OF COLUMBIA	Current	federal adjusted gross income

Source: Compiled by the Federation of Tax Administrators from various sources.

--- state does not employ a federal starting point. Current indicates state has adopted IRC as currently in effect. Dates indicate state has adopted IRC as ammended to that date.
(a) or 1/1/99, taxpayer's option.