

State Tax Refund

It is rare that a state tax refund is taxable because few of our clients itemize deductions. The state refund is not taxable for the following situations:

- a) Taxpayer did not itemize deductions
- b) Taxpayer used sales tax instead of state tax withheld
- c) No net tax benefit from itemizing deductions instead of using the standard deduction
- d) Unused nonrefundable credits
- e) State and Local Income Tax (SALT) limited by \$10,000 cap

The TaxSlayer worksheet is incomplete and should not be used to calculate the portion of a state tax refund that is taxable. Use Bogart Tools (TAXABLE REFUND AND RECOVERY CALCULATOR) to calculate the taxable portion of a State Tax Refund.