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U.S. Department of Treasury and IRS Issue Proposed Regulations to End SALT Workaround

Yesterday the U.S. Department of the Treasury and the Internal Revenue Service issued proposed regulations providing rules on the availability of charitable contribution deductions when a taxpayer receives or expects to receive a corresponding state or local tax credit.

The proposed regulations are designed to clarify the relationship between state and local tax credits and the federal tax rules for charitable contribution deductions.

Under the proposed regulations, a taxpayer who makes payments or transfers property to an entity eligible to receive tax deductible contributions must reduce their charitable deduction by the amount of any state or local tax credit the taxpayer receives or expects to receive.

For example, a New York taxpayer who makes a $20,000 charitable donation to pay property taxes and receives a $19,500 state tax credit (assuming the tax credit is set at 95% of the donation) would only be able to write off the difference ($500) on a federal tax bill as a charitable contribution.

The proposed regulations are available in the *Federal Register:*

IRS Proposed Regulations (SALT Workaround)

The U.S Treasury/IRS Bulletin can be downloaded here:

IR-2018-172 IRS/U.S. Treasury Bulletin on Charitable Contributions

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