

Treasury, IRS Issue Proposed Regulations on Charitable Contributions and State and Local Tax Credits

August 23, 2018

Overview

Today, the Treasury Department and the IRS released proposed regulations providing rules on the availability of charitable contribution deductions when the taxpayer receives or expects to receive a corresponding state or local tax credit. Under the proposed regulations, taxpayers who make payments or transfer property to entities eligible to receive tax deductible contributions must reduce their charitable deductions by the amount of any state or local tax credit the taxpayers receive or expect to receive. The preamble to the proposed regulations states that "the Treasury Department and the IRS believe that when a taxpayer receives or expects to receive a state or local tax credit in return for a payment or transfer to an entity listed in section 170(c), the receipt of this tax benefit constitutes a quid pro quo that may preclude a full deduction under section 170(a)."

Practices

Tax

Exempt Organizations

Notice on Charitable Contributions for State/Local Tax Credits Issued

May 23, 2018

Overview

Today Notice 2018-54 was issued, informing taxpayers that Treasury and the IRS intend to propose regulations addressing the federal income tax treatment of certain payments made by taxpayers for which taxpayers receive a credit against their state and local taxes. The proposed regulations will address the federal income tax treatment of transfers to funds controlled by state and local governments (or other state-specified transferees) that the transferor can treat in whole or in part as satisfying state and local tax obligations. The notice indicates that the proposed regulations will clarify the requirements of the Internal Revenue Code, informed by substance-over-form principles, governing the federal income tax treatment of such transfers and assist taxpayers in understanding the relationship between the federal charitable contribution deduction and the new statutory limitation on the deduction for state and local tax payments imposed by Pub. L. No. 115-97 (the December 2017 Tax Act).

Practices

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