

STATE OF NEW JERSEY

GOVERNOR PHIL MURPHY

ICYMI: AG GREWAL TO IRS: STOP “PLAYING POLITICS” WITH SALT TAX GUIDANCE - OR FACE A LEGAL CHALLENGE

Statement from Governor Phil Murphy:

"For the federal government to permit certain states to allow for charitable deductions, but not others that are following the same principles, is unconscionable. Once again, President Trump is unfairly targeting the hardworking people of New Jersey.

"I remain committed to fighting the SALT deduction tax cap and am confident that the solution signed into law can and should be embraced by the IRS. Anything less is a flat-out admittance that politics rather than policy guides the decisions of the Trump Administration."

From the New Jersey Office of the Attorney General

AG Grewal to IRS: Stop “Playing Politics” With SALT Tax Guidance - or Face a Legal Challenge

Attorney General Asks IRS to Withdraw Proposal that Would Upend New Jersey’s Charitable Deduction Tax Credit Law

TRENTON - Attorney General Gurbir S. Grewal today urged the U.S. Internal Revenue Service (IRS) to drop its “misguided” plan to enact a new rule designed to undermine a recent New Jersey law. That law – signed by Governor Phil Murphy earlier this month – allows residents to receive property tax credits when they make charitable contributions to their local governments.

The Trump Administration enacted a tax overhaul in December 2017 that placed, for the first time, a \$10,000 cap on the federal deduction for state and local taxes (SALT). In response, New Jersey, New York and other states passed laws allowing residents to instead make deductible charitable contributions to their local governments, and to receive partial tax credits when they do so. “But in an unprecedented move,” Attorney General Grewal explained, the IRS just yesterday “announced plans to end the deductibility of such contributions.”

In a letter to IRS Commissioner David J. Kautter, Attorney General Grewal points out that the New Jersey tax credit law is similar to 100 laws enacted in more than 30 other states, and is consistent with longstanding IRS guidance and numerous court decisions that such contributions remain deductible. So “the IRS’s plan will upend over 100 state programs in a single rule—a nightmare for both states and the IRS.” Yet the IRS has given “no reason for [its] sudden about-face.”

“The IRS should not play politics. Instead, it must confirm its longstanding interpretation of federal law,” Grewal explains in his letter. “Should the IRS and Treasury Department continue down this path, New Jersey will have no choice but to challenge the new rule in court.”

Attorney General Grewal’s letter notes that the New Jersey law authorizes municipal and county governments and local school districts to establish “charitable funds for specific purposes” and to permit residents to gain partial property tax credits for donating to those funds. Across the states with similar programs, charitable funds “run the gamut” from those designed to aid natural resource preservation efforts to funds that help provide financial aid for college-bound children, support shelters for the victims of domestic violence and many other programs.

The Attorney General contends that the IRS’s decision runs counter to the federal Tax Code, which makes plain that deductions are permissible for “any charitable contribution ... payment of which is made within the taxable year.”

“The statute is explicit that such contributions include gifts given to state governments and their political subdivisions,” Grewal notes. “The only remaining issue is whether such gifts are deductible if the contributor gets a tax credit in return.” While the IRS has previously “answered that question resoundingly in favor of laws” like New Jersey’s, the latest guidance “suggests that the IRS plans to tell states and taxpayers alike the answer is no.”

“I ask you to think twice before going down that misguided road,” Grewal warns the IRS Commissioner. “The IRS’s longstanding approach, supported by precedent and policy, supports what New Jersey has done.”

For text of the letter, click here (https://urldefense.proofpoint.com/v2/url?u=https-3A__t.e2ma.net_click_rid6u_nrddit_basvcf&d=DwMFaQ&c=4BTEw-1msHjOY4ITcFLmDM6JB8x6ZgbU2J24IH0HZLU&r=xF3DPDNEH8rwpTwtkJb4MHQ0EgF6v3M0zt3hszQvyU&m=AixCLAPXnZqcvqX4pJiVx21pOCiCBN5Rfr3vqpKc2rQ&s=S0k)

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