

STATE OF NEW JERSEY

GOVERNOR PHIL MURPHY

## ICYMI: MURPHY ADMINISTRATION ADOPTS REGULATIONS FOR SALT CHARITABLE CONTRIBUTIONS FOR MUNICIPALITIES AND TAXPAYERS

*From the New Jersey Department of Community Affairs:*

*Local Government Services to Allow Taxpayers to Make Creditable Donations to their Town or City of Residency*

**TRENTON** – On May 4th, 2018, Governor Phil Murphy signed into law legislation that authorized municipalities, counties, and school districts in New Jersey to establish charitable funds to be used for a wide range of public purposes that allow property owners a tax credit of up to 90 percent of their total donation. Today, the Division of Local Government Services (DLGS) has adopted regulations for the implementation of local unit charitable funds. These regulations govern the process by which a municipality may establish a fund, and how taxpayers may legally donate and be credited on their tax bill.

"In light of Washington's recent efforts to punish net-donor states like New Jersey through the federal income tax code, our administration is making it easier for New Jersey's hard-working taxpayers and property owners to re-invest their tax dollars in their own communities," said **Governor Murphy**. "By adopting these new regulations, we are permitting our local governments to establish charitable funds that will help them spend local money where it is most needed, funding vital public services and investing in public infrastructure here in New Jersey."

New Jersey has joined other states in suing the federal government over the constitutionality of the imposition of the \$10,000 limitation on deductions for state and local taxes.

"Today, the State of New Jersey has taken another step forward in responding to the unconstitutional cap on the deduction for state and local taxes that Congress adopted last year. These rules will allow our residents to receive property tax credits when they make charitable contributions to their local governments," said **New Jersey Attorney General Gurbir Grewal**. "Although the IRS has announced plans to end the deductibility of such contributions, I remain committed to challenging that decision. If and when the IRS finalizes its rules, we'll see them in court."

If a municipality, county or school district chooses, it may establish multiple charitable funds for a wide range of purposes dedicated to expanding and improving public services.

Once a charitable fund is established by a local unit, a property taxpayer may receive a credit of 90 percent of their contribution to the fund, up to the total creditable donation amount determined by the municipality. However, in response to recently proposed Internal Revenue Service (IRS) regulations, donors will also have the option of receiving a 15 percent credit on their donation. The proposed IRS rule would disallow a federal credit of 90 percent, but includes a safe harbor to allow a 15 percent credit.

Charitable funds may support services such as public safety, capital improvements, public works, public health, social services, housing and code enforcement, redevelopment and economic development, recreation, open space, public libraries, and the operation, management or administration of other services with the approval of the Department of Community Affairs' (DCA) Director of Local Government Services (DLGS).

"New Jersey taxpayers are unfairly burdened by the federal government's so-called 'Tax Cuts and Jobs Act of 2017,' and New Jerseyans need a break," said **Lt. Governor Sheila Oliver**, Commissioner of DCA. "This new tax credit makes sense and is a win-win for property taxpayers and New Jersey local governments."

Charitable funds dedicated to public safety may support expenses relating to police, fire, emergency medical services, first aid squads, office of emergency management, 911 and dispatch, and lifeguards; as well as volunteer fire and emergency medical services. A county's public safety charitable fund may also support its sheriff's office and county prosecutor's office.

Public works charitable funds may be used for the routine maintenance of infrastructure and public facilities. Funds may also be established for capital improvements such as construction, reconstruction, demolition, or alteration work which has a useful life of at least five years, along with the payment of any debt service connected with same. The capital funds may also be used for acquisition and/or development of land; acquisition of major equipment, furniture, or other personal property; acquisition, construction, improvement and/or renovation of buildings, roads, utilities, structural improvements or public works.

Additionally, a public library or open space charitable fund may also be set up for the same purposes as funds raised through a library tax or open space tax.

"Charitable funds help reduce taxpayer burden while preserving essential public services," said **Melanie Walter**, Acting Director of DLGS. "These regulations ensure transparency and fiscal accountability, safeguarding donated funds and assuring sufficient financial support for public purposes."

Donations to charitable funds can be made by anyone, anywhere, though local property tax credits only available to donating taxpayers within the local unit.

Establishing charitable funds is an option available to each local unit, not a mandate. A single charitable fund may support multiple public purposes, and multiple municipal charitable funds may be established by a single ordinance, or, where applicable, a resolution. A model resolution and model ordinance for establishing a charitable fund can be found on the DLGS division website. Additional information about the implementation of the SALT charitable contribution law can be found in the DLGS Local Finance Notice.

Established in 1967, DCA offers a wide range of programs and services that respond to issues of public concern including affordable housing production, fire safety and building safety, community planning and development, local government management and finance, and disaster recovery.

For more information about DCA, visit: [www.nj.gov/dca/](http://www.nj.gov/dca/) ([https://urldefense.proofpoint.com/v2/url?u=https-3A\\_t.e2ma.net\\_click\\_ba8zy\\_nrdit\\_bm16wf&d=DwMFaQ&c=4BTEw-1msHjOY4ITcFLmDM6JB8x6ZgbU2J24IH0HZLU&r=xF3DPDNEH8rwpTwkOjb4MHQ0EgF6v3M0zt3hsZvYyU&m=Rz9ySHJ9K5CLTAYOJGhW8mQIFHH950qtuDesYR3TCQA&slpqqUuDe0Zqv9YnoIENK-Zqlw415q2u8f-r3E&e=](https://urldefense.proofpoint.com/v2/url?u=https-3A_t.e2ma.net_click_ba8zy_nrdit_bm16wf&d=DwMFaQ&c=4BTEw-1msHjOY4ITcFLmDM6JB8x6ZgbU2J24IH0HZLU&r=xF3DPDNEH8rwpTwkOjb4MHQ0EgF6v3M0zt3hsZvYyU&m=Rz9ySHJ9K5CLTAYOJGhW8mQIFHH950qtuDesYR3TCQA&slpqqUuDe0Zqv9YnoIENK-Zqlw415q2u8f-r3E&e=))

[Back to Top](#)

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[Home \(/governor/\)](#)

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[Governor Phil Murphy \(/governor/admin/about/\)](/governor/admin/about/)  
[Lt. Governor Sheila Oliver \(/governor/admin/lt/\)](/governor/admin/lt/)  
[First Lady Tammy Snyder Murphy \(/governor/admin/fl/\)](/governor/admin/fl/)  
[Cabinet \(/governor/admin/cabinet/\)](/governor/admin/cabinet/)  
[Boards, Commissions & Authorities \(/governor/admin/bca/\)](/governor/admin/bca/)  
[Internship Opportunities \(/governor/admin/internship.shtml\)](/governor/admin/internship.shtml)  
[Governor's Residence - Drumthwacket \(http://drumthwacket.org/\)](http://drumthwacket.org/)

## Key Initiatives

[Economy & Jobs \(/governor/initiatives/#Economy\)](/governor/initiatives/#Economy)  
[Education \(/governor/initiatives/#Education\)](/governor/initiatives/#Education)  
[Environment \(/governor/initiatives/#Environment\)](/governor/initiatives/#Environment)  
[Health \(/governor/initiatives/#Health\)](/governor/initiatives/#Health)  
[Law & Justice \(/governor/initiatives/#Justice\)](/governor/initiatives/#Justice)  
[Transportation \(/governor/initiatives/#Transportation\)](/governor/initiatives/#Transportation)

## News & Events

[Press Releases \(/governor/news/news/562018/approved/news\\_archive.shtml\)](/governor/news/news/562018/approved/news_archive.shtml)  
[Public Addresses \(/governor/news/addresses/\)](/governor/news/addresses/)  
[Executive Orders \(/nj.gov/infobank/eo/\)](http://nj.gov/infobank/eo/)  
[Statements on Legislation \(/governor/news/statements/approved/statements\\_archive.shtml\)](/governor/news/statements/approved/statements_archive.shtml)  
[Administration Reports \(/governor/news/adminreports/approved/archive.shtml\)](/governor/news/adminreports/approved/archive.shtml)  
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