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## **Take It with a Grain of SALT: Jersey's Tax Workaround.**

On May 4, New Jersey Governor Phil Murphy signed into law a provision that attempts to bypass the GOP tax law's cap on the state and local tax deduction (SALT), which imposes a \$10,000 federal limit on state and local tax deductions. The idea was first proposed by Rep. Josh Gottheimer (D-NJ).

Specifically, the provision would allow municipalities to establish charitable funds and give donors property tax credits in exchange for their contributions, which are still fully deductible. This is essentially a roundabout way of allowing residents to retain the tax benefits of the property tax deduction.

New York was the first state to enact this type of provision in response to the GOP's cap on the SALT deduction. Lawmakers in several other states, including Illinois, are considering similar workarounds.

Interestingly, 33 states, including several GOP-led states, already have provisions in place that allow residents to receive a dollar-for-dollar reduction in taxes in exchange for charitable contributions to certain funds.

Of course, the IRS will have final authority to determine whether donations to these funds constitutes a charitable contribution. Acting Commissioner David Kautter has noted that contributions will only qualify for tax deductions if the donative intent was truly charitable. This might require the IRS to review existing provisions in other states that essentially allow residents to do the same thing as New Jersey's new law. Several experts expect the IRS to rule against the new law, leading Democrats to consider the possibility of a lawsuit.

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