Bond Case Briefs

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States Again Sue IRS Over Federal Tax Law.

Connecticut, New Jersey, New York and a local government coalition allege that a new IRS rule unlawfully puts an end to their tax reform workarounds.

Three states and a coalition of local governments are suing the IRS and Treasury Secretary Steven Mnuchin over new regulations that block them from circumventing limits on tax deductions imposed by the 2017 federal tax overhaul.

Two separate lawsuits were filed Wednesday over IRS regulations finalized last month that ban residents from fully deducting their charitable contributions if they receive tax credits in return. Three Democratically controlled states, Connecticut, New Jersey and New York, have filed a joint lawsuit over the rules. A separate suit has been filed by the Coalition for the Charitable Contribution Deduction, a New York coalition of localities, school districts and professional organizations.

The lawsuits allege that the IRS overreached its authority when it closed states' charitable deduction loopholes. That's because the ban applies to long-established state-run trusts that give out tax credits in exchange for donations for things like environmental preservation and charter schools. Dozens of states — not just high-tax states or those controlled by Democrats — have these trusts.

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