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IRS Final Rules Offer Safe Harbors for Users of SALT Workarounds.

Final regulations addressing payments to charitable organizations in exchange for state or local tax credits stick closely to the proposed regs but make some clarifications for safe harbors.

Safe harbors in the August 7 [final regs \(T.D. 9907\)](#) allow a C corporation or specified passthrough entity that receives or expects to receive state or local tax credits in return for payments to or for the use of a [section 170\(c\)](#) entity to treat the credit-sized portion of the payment like an ordinary and necessary business expense under [section 162](#).

The treatment matches the [proposed rules \(REG-107431-19\)](#) from December 2019 to make it clear that such payments constitute an allowable deduction as a trade or business expense under [section 162](#) rather than a charitable deduction.

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TAX ANALYSTS

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FRED STOKELD

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