

US Corporate Law News: IRS warns against state tax deduction workarounds

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Yin T. Ho

SENIOR ASSOCIATE | US

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The Tax Cuts and Jobs Act established a \$10,000 limit on all state and local tax deductions for Federal income tax purposes. Some states have responded to the limitation with legislative proposals seeking to avoid the statutory limit by exploiting the uncapped Federal charitable contributions deduction and setting up state-controlled charitable funds, whereby tax payers would transfer state and local taxes in excess of the limit in exchange for charitable credits. Seeking to curtail such legislative proposals, on May 23, 2018, the U.S. Department of the Treasury and the IRS, announced that they will be proposing regulations to ensure that Federal law continues to control the proper characterization of such payments for Federal income tax purposes, using substance-over form principles. For more information, see <https://www.irs.gov/pub/irs-drop/n-18-54.pdf>.


Authors

Yin T. Ho

SENIOR ASSOCIATE | SAN FRANCISCO

Real estate

 +1 415 872 3232

 yin.ho@withersworldwide.com