

Treasury, IRS To Issue Proposed Rule on State and Local Tax Deductions



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Washington – The U.S. Department of the Treasury and the Internal Revenue Service (IRS) will issue proposed regulations in the near future addressing legislation adopted or being considered by state legislatures that allow taxpayers to receive a credit against their state and local taxes for contributions to certain organizations or funds designated by the state. In addition to cutting income tax rates, expanding the child tax credit, and nearly doubling the standard deduction, the Tax Cuts and Jobs Act limited the amount of state and local taxes an individual can deduct in a calendar year to \$10,000.

In the [notice issued today](#) , Treasury and the IRS informed taxpayers that proposed regulations will be issued addressing the deduction of contributions to state and local governments, and other state-specified funds, for federal tax purposes. The proposed regulations will make clear that the Internal Revenue Code, not the label used by states, governs the federal income tax treatment of such transfers. The proposed regulations will also assist taxpayers in understanding the relationship between the federal charitable contribution deduction and the new statutory limitation on the deduction of state and local income taxes.

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