

NEWSBRIEF: NJ SUCCESSFULLY PASSES THE SALT

LEGISLATURE CREATES RELIEF FOR TAXPAYERS AFFECTED BY REFORM ON SALT LIMITATION

For those living in the State of New Jersey, tax relief is an issue which brings together most residents. It's a complaint that is bandied about at dinner parties and offered as non-political small talk in the bank line. We all feel the pain.

Unfortunately, things have gotten worse recently. Like some other high tax states, New Jersey will be greatly impacted by the limitation to SALT deduction as written in the Tax Cuts and Jobs Act. The reform limits federal state and local tax deductions to \$10,000.

Rep. Josh Gottheimer (D-N.J.), who represents parts of Bergen and Sussex counties, first proposed an idea allowing local governments to accept property taxes in the form of charitable contributions in January. He and other concerned NJ legislators got to work immediately trying to determine

if this proposed solution would work.

Bill S1893 authorizes municipalities, counties and school districts to create charitable funds that could be used as a revenue source. Local governments can give tax credits to residents who contribute to the fund, allowing them to offset up to 90 percent of their own property tax bills and take a write-off on their federal income taxes.

The approach provided under the bill, would create a workaround to the \$10,000 cap on state and local tax deductions imposed by the new federal tax code. It could also allow some high-income earners subject to the alternative minimum tax to begin deducting their property taxes.

About 41 percent of New Jersey residents who filed 2015 tax

returns used the SALT deduction to reduce their total tax bill, according to the Tax Policy Center.

Just last week, the bill passed both houses of the New Jersey Legislature and now Gov. Phil Murphy has endorsed the effort to circumvent the new federal tax code.

It remains unclear whether the Internal Revenue Service will allow New Jersey to implement the workaround, which follows a practice that's been used on a smaller scale in other states.

Remember that your Baratz & Associates, P.A. CPA is a trusted advisor with access to the most accurate information on any tax matter. We will continue to keep you posted on this issue. ☘

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