



Alok Sharma shared a link.

May 4 at 3:50pm

Can we set up a charitable entity for our township, school and county taxes so that our property tax becomes deductible? Currently, NJ state caps property tax deduction to 10,000 for state tax purposes just like the federal government is planning to do for federal tax. By setting up a charity, we can bypass both those caps. I understand that many residents don't care because they anyway pay AMT and cannot deduct property tax. But those who are below the AMT limit and also those making more that 600k (because the high marginal rate despite deduction puts you over the AMT rate) will benefit a lot.

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N.J. Homeowners Get Law to Skirt Trump's Lowered Tax Deductions

New Jersey Governor Phil Murphy signed legislation to let homeowners declare property taxes as charitable donations deductible on their annual Internal Revenue...

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12



Daryl Kipnis The IRS hasn't approved of this.



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Bob Forant This sounds whacko

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Alok Sharma Even if IRS does not allow this it will get us around the state cap. It is a state law so they will have to honor it. It will, if nothing else, save some state tax.

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Daryl Kipnis I wouldn't attempt it unless the NJ Division of Revenue puts out an advisory opinion saying it is kosher for State tax purposes.

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Bob Forant So we pay to a charitable organization and that will be acceptable to the township for our liability to them for real estate taxes? That appears goofy. This is referred to as a "front" that in many areas of business is not an acceptable or legal practice to get around other laws or statutes.


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
Alok Sharma Whatever works 😊. If government is ready to let me pay less without sending me to jail, I am not the one to tell them to take more.


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 **Bob Forant** So what is the Charitable purpose that would be acceptable by fed or state? How would the contributions be spent? Once they go in that bucket who is to say it would clear your tax liability?

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 **Alok Sharma** I think what they are saying is that all expenses of municipal government or school district or county expenses will be deemed charitable purpose for tax purposes. I understand that if you give to charity, you should not expect a quid pro quo services from it for free. So if you pay to school tax but have a child in the school, it would be tough to call it charity. But if you don't have kid in the school but still pay school tax, can that be treated as charitable purpose?


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 **Daryl Kipnis** The whole thing makes absolutely no sense.

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
 **David B. Absalom** I can't wait to see how this farce turns out. This is all for his Goldman-Sachs pals, not you and me. Cuomo & Brown are doing the same for the rich in their states. One day you'll realize that BOTH parties are run by the rich, a large segment of which are G-S and Silicon Valley.


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 **Chandra Sanabaghatta** Time for a 3rd party !  1

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 **Jeffrey M. Boyarsky** If it is allowed under the IRS code or in a private letter, go for it. Ask your tax advisor first.


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
 **Bob Forant** That's a BIG if

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 **Andrea Sue** So if I take off all my school taxes as a charitable deduction, does that mean all families with children in the public schools will then be taxed as income for the value of the education for each child? This may not play out like you want.


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 **Venkataraman N Karimanasser** Just a question for the folks here..if someone is homeschooling their kids, with an incorporated home school, does the WW Township give them an annual credit equal to the amount spent on each kid by the township school district?


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 **Hemant Marathe** No  1


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 **Andrea Sue** You don't get money towards private school either.

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
 **Venkataraman N Karimanasser** Tysm, both of you. Just wanted to be sure there are no hidden goodies.

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 **Alaina Tonelli** Hemant Marathe Do you know anything about this? and is it possible for WW to look into it?

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 **Marshall Lerner** NJ is not the first state to propose legislation seeking to overcome the \$10,000 SALT (state & local tax) cap under the recent federal tax reform act. However the IRS has indicated

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that it will block efforts that masquerade as charitable contributions to government entities and that posture exposes anyone trying to use the loophole to audit & penalties. And that's a losing battle for most people.

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Daryl Kipnis Hence Admiral Ackbar here:



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Bob Forant Kinda what I was saying. Huh!

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Alaina Tonelli It sounds like West Windsor would have to set it up for us... and then it would be valid/ legal. So, we should do it and get our tax deduction back. I'll take any legal write off that I can.

Like · Reply · 2d



Anthony Fleres As I understand it, to be considered a charitable deduction, it also must be voluntary. I don't think the legislation made paying local property taxes optional.

Like · Reply · 2d



Hemant Marathe Alaina Tonelli at the Mayor's conference last week, many mayors are willing to do it if someone else first takes the lead and the state guarantees the township that it's legal and in case of challenges the state will foot the bill.

I am willing to do anything that is legal that will reduce residents tax bill at the state or local level.

If I am a betting man I will bet that nothing is going to come out of this.

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Hemant Marathe If Governor Murphy is truly interested in controlling property taxes the single biggest issue he MUST address is the crazy affordable housing numbers given to many towns in New Jersey. Even though in private all state level elected officials will tell you this is a priority unfortunately not a single step is being actively pursue to address this problem.

It is an absolute shame. The usual spin is Republicans are for Rich and Democrats are for middle class and poor. The inaction by Democratic leaders in both chambers is clear illustration that they care more about the builders and their political contributions than the ordinary people who live in New Jersey.

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George M. Borek The Persons who put the Towns in this was Governor Christie and Senate President Sweeney and Former Speaker Prieto.

Like · Reply · 2d



Hemant Marathe George M. Borek yes Christie deserves all the blame. However Murphy has had 100 days and he has not uttered one word about affordable housing. The time to get elected by simply blaming Christie and Trump will soon run out.

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George M. Borek Hemant, I am just saying who got us here. The real people who can make the Difference is the Legislature, passing a Bill that the Governor can sign. So the Democratic and Republican Leadership need to move the Bills that can rectify this issue.

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George M. Borek They where the ones who failed the Communties

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Venkataraman N Karimanasseri

http://www.nj.com/.../phil_murphy_acts_to_help_nj_get...



Murphy moves to save your property tax break from Trump. But will it stick?

NJ.COM

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Venkataraman N Karimanasseri

It seems like there 33 precedents to using this charitable donations route that IRS has accommodated in the past and so by extrapolation and private assurances of the current Acting IRS Director, the same will be considered sympathetically when it comes to individuals who have genuinely interpretwd the charitable donations along the said lines. Hemant Marathe, there are at least 10 towns who are taking the lead in this direction. May be something worth looking into.

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Alok Sharma 😊

The irony is that most taxes federal and state are charitable donations except for the property tax. Everything that we need for a functioning community - education of our children, fire safety, police force, trash pick up, maintaining township and county roads, parks and recreation....everything gets paid by just the property tax.

State income tax is truly a charity donation because by constitutional mandate all of it goes to give property tax break to other towns. So that's all charity. Most of the federal tax, social security, Medicare tax that we pay is charity because we don't use any of those welfare schemes and by the time we do, those programs will be bankrupt. So that's an extreme irony - property tax that actually gives back to us will be declared charity and the charity dollars that federal and state government take from us will not be. Strange are the ways of life.

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Bob Forant

I am curious. What exactly would be the charitable purpose? The so-called charity would pay the expenses of the school district? Or the township? The amount "contributed" by a resident would have to be a specific amount that represents their Home value....so the amount contributed is NOT voluntary. And not even a random amount. It has to be a "billed amount". What charity exists that actually requires the "generous donor" to pay a specific amount. I simply don't get it.

I am guessing that those on this string are smarter than me. So please explain how this works. Considering current IRS and state tax code. How the "501c3" rules would fit this type of entity. How a taxpayer who is required to pay their share of taxes will now become a "contributor" under the law where the contributor will have no choice and will be required to contribute and have no choice.

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Venkataraman N Karimanasseri

It would be instructive to look at what those 33 precedents were that the IRS actually accommodated before this time.

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Bob Forant Venkataraman N Karimanasseri can you point me to them?

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Venkataraman N Karimanasseri Bob, I am taking that info from the NJ.com article ..have to dig a bit deeper. I'm as clueless as you are as of now.



NJ.com

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Venkataraman N Karimanasseri

Separately, the charitable donation proposed has a built-in 90% cap of amount donated towards the property tax credit that can be earned and applied towards a specific property tax liability. So it'd appear to have a built in mechanism to accrue a corpus over a

period of time.

How the township deploys this '11.11%' charitable donation of the property tax that individuals may chose to pay to this 501c3 fund - now that is another wonderful story.

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Venkataraman N Karimanasseri Bob Forant I will share if I can find them online.

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Brian Cole

http://www.njleg.state.nj.us/2018/Bills/S2000/1893_R1.HTM

Skimmed through the bill a bit, it is way more clever than simply claiming to the township that our liability to them has been met. The bill describes it as a local property tax credit, something the IRS should have a tougher time fighting against since it is on the state level (i.e., 10th amendment).

Donating to a school is already considered tax deductible by the IRS: "will include any school district program that does not operate for profit and is solely supported by state and local governments" <https://turbotax.intuit.com/.../are.../L6YhGgwPA>

Note, charitable giving directly to the government is tax deductible as well: "if your contribution is solely for public purposes" <https://www.irs.gov/pub/irs-pdf/p526.pdf>

Another interesting caveat I spotted is that the tax credit can be carried forward for 5 years. "the municipal tax collector shall carry the remaining portion of the credit forward to one or more future local property tax bills [...] no tax credit established under this section shall be carried forward for more than five years"

That means that if you know your income will drop in the following years (e.g. retirement or change in jobs), it could be beneficial to give more to your local school in the year with higher income.

Finally, think about the optics of this politically. This is schools and our children. Saying we shouldn't donate to schools is akin to saying Bill Gates shouldn't donate his billions either. Being a tax credit, we can wait to see how this plays out over the next 6 months. Personally, I plan on saving a lump of money I can donate to the school in December of 2018 to claim a tax credit locally and a deduction federally in April 2019.

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Andrea Sue So let us say for a moment the school system is a "charity". For argument's sake, say \$15K per year of your property tax goes to the school system. If you have 2 children in school, you are getting about \$32K back from this charity in direct services - which I assume you will have to declare as income. You can't have it both ways, and once the law says it is a charity you won't have a choice, even if you pay ATM or standard deduction. You are still getting this income. Be careful what you wish for.

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David B. Absalom NJ is going to have to come to terms that the party is over. Murphy'll probably declare bankruptcy for the state and ask the Fed to bail it out.

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Andrea Sue Try sending your kid to private school or college and claiming their tuition is a "donation" and taking it off your taxes and see the friendly response from the IRS. The state can't make that legal either - it is federal tax law. The funny thing is that the new tax limits make this a very progressive tax, punishing mostly the upper few percent - and yet liberals are screaming against it.

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David B. Absalom **Andrea Sue** Goldman-Sachs and Wall Street don't like it. Murphy's their stooge, just like Cuomo and Monnbeam are in their respective states. The rich are behind the donation scheme. They don't make those contributions to both parties for nothing. Think of those Beverly Hills mansions and their property taxes!

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Brian Cole The new tax bill did make private schools somewhat deductible by extending the ability to use 529

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savings accounts to pay for private school.

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Bob Forant Someone doesn't like GS. 1

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David B. Absalom Bob Forant GS runs both parties. Ergo it runs the country.

Like · Reply · 1d



Alok Sharma 😊 another name for GS is "Government Sachs".

Like · Reply · 1d



Bob Forant David B. Absalom frankly. I don't want to get into a debate. But that comment is extreme. Whether we like it or not. GS has some of the smartest in finance. It is not there issue that others have not been able to keep up. And why wouldn't government want to take advantage of that talent. Would you rather they hire the HR Block tax accountants. (no offense to the accountants.).

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David B. Absalom Bob Forant I agree it has some of the smartest people (some have been my friends and political associates. It is my opinion it runs both major political parties, that it's tentacles have a headlock on the US government, that it is too influential. That is why Murphy, Cuomo, and Moonbeam are pushing for this charitable donation scheme--to protect the revenue stream of political contributions.

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Jerry Foster The federal tax bill limitation of \$10K for property taxes is DOUBLE TAXATION for amounts over \$10K. The state and local taxes should be fully deductible, federal lawmakers must fix this asap, and remove the need for stupid workarounds like calling taxes charitable contributions, which they are, only non-voluntary.

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David B. Absalom Congress doesn't have to do anything. It can eliminate ALL deductions and tax gross income. Then what would you do? This country and state must get their respective fiscal houses in order. The party's over of "something for nothing" and "we'll kick it down the road." You can't have \$100 worth of service for \$1.00. There is a price paid for everything--now or later.

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Andrea Sue There is constant double and triple taxation - even in the same level of government or same type of tax. Social Security taxes are not even tax deductible on your federal tax, and then when and if you collect it is taxable income. You pay sales tax on money that has already been taxed. They is no responsibility for the federal government to give you a deduction for any local tax or anything else - it is all a political decision. Maybe NJ governments should check out how other parts of the country can keep their taxes lower.

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Jerry Foster Agreed - if they want to double tax something, it should be gambling winnings, er, capital gains, unearned income. Going after working people's earnings is just wrong.

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David B. Absalom Jerry Foster Tell that to the "Progressives." They were behind amending the U.S. Constitution to enact a personal income tax..

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Jerry Foster Don't care about the blame game, just the fix 😊

Like · Reply · 23h



David B. Absalom Jerry Foster You have to know the history to know how you got here so you don't repeat the mistakes of the past to improve the future.

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
 **Jerry Foster** Agreed, remember the past but selectively forget so you can move forward

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 **Alok Sharma** Look, it is simple, progressive or conservative, you tax the people who don't resist, who don't raise their voice. That is the politically easy thing to do. It was never about being fair or prudent, it was always about collecting as much money without pushback.
In India mafia collects protection money from shopkeepers and businesses. It is called "hafta" (translates into weekly). They squeeze those who don't raise their voice and only till the point you meekly pay without question. They don't like to increase their cost of collection by provoking opposition. Politicians are no different.

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 **Anand Desai** I am reminded of Ramgarhwalo.
"Ramgarhwalo ne pagal kutton ke samne roti dalna band kar diya hai."

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