

Anchin Alert

Anchin, Block & Anchin LLP
Accountants and Advisors

July 23, 2018

Evaluating the Use of the New York Charitable Gift Reserve Fund to Secure Tax Deductions

As a result of the federal Tax Cuts and Jobs Act, the maximum deduction for state and local income taxes combined with real estate taxes on the federal return will be limited to \$10,000 for years beginning in 2018. In an attempt to mitigate the negative consequences of this lost deduction for New Yorkers, the recently passed New York Executive Budget has several provisions that provide potential relief.

One such provision allows taxpayers to make a voluntary charitable contribution to a charitable gift reserve fund ("Fund") set up by your local government or school district. Up to a maximum 95% of this charitable gift can be applied as a credit against your Village, County and/or School taxes. In addition, Albany is hoping that the charitable gift would also be deductible as a charitable contribution on your federal tax return. However, there are some hurdles to overcome:

- It is up to your local government or school district to set up a Fund to receive the charitable contributions. The local government or school district is under no requirement to set one up. It is completely voluntary for them to do so.
 - For example, Scarsdale has set up a Fund and contributions to the Fund for the real estate taxes due August 1, 2018 would qualify for a credit of approximately 95%.
- The amount of the charitable gift will exceed your credit against your real estate taxes.
- Albany anticipates strong IRS resistance to allowing charitable gifts to this Fund to be deductible as charitable contributions. If this were to be the case, the result would be that you would have paid an additional amount of real estate taxes without the benefit of the charitable deduction on your federal return. Furthermore, all contributions made to this Fund regardless of federal deductibility are nonrefundable.
 - This additional amount paid for your real estate tax would be deducted on your NY tax return as a charitable contribution. However, the tax benefit would be relatively small.

To learn more about how this can affect your tax situation, call your Anchin tax professional or Clarence Kehoe, Chair, Tax Department at (212) 840-3456 or via email at clarence.kehoe@anchin.com.



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