HOUSE RESEARCH

Bill Summary

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Subject: Charitable contribution subtraction

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Overview

Increases the subtraction for charitable contributions from 50 to 100 percent of contributions over $500. The amendment allows the subtraction for itemizers whose federal itemized deductions are reduced to the standard deduction amount because of the state add-back of the state income tax deduction.

Section

1 **State income tax add-back.** Limits the state-level income tax deduction add-back to the amount by which federal itemized deductions exceed the standard deduction *plus* the state level charitable contribution subtraction allowed to non-itemizers. Under present law, the add-back is limited to the amount by which federal itemized deductions exceed the standard deduction. This effectively preserves the federal standard deduction for all taxpayers who itemize, but results in some itemizers being allowed to claim a charitable contribution deduction at the federal level, having their itemized deductions reduced to the standard deduction at the state level, and then being ineligible for the state-level charitable contribution subtraction because they itemized. The amendment would preserve the standard deduction plus the amount of charitable contributions that qualify for the state-level subtraction.

2 **Charitable contribution subtraction.** Increases the subtraction for charitable contributions from 50 to 100 percent of contributions over $500. This subtraction is allowed for individuals who claim the federal standard deduction only. Individuals who itemize are allowed an itemized deduction for charitable contributions at the federal level; this itemized deduction flows through to the state income tax calculation.

3 **Effective date.** Effective beginning in tax year 2001.