



COMMISSIONER

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224

December 28, 2017

The Honorable Richard E. Neal  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Representative Neal:

Thank you for your letter dated December 22, 2017, asking for clarification on the impact of newly enacted changes to the state and local real property tax deduction under Section 164 of the Internal Revenue Code. Specifically, you asked whether a taxpayer may deduct in 2017 an amount paid in 2017 as a pre-payment of 2018 state and local real property taxes and requested that the IRS issue guidance as soon as possible to assist taxpayers in complying with this new law and the many other changes as well.

Whether a taxpayer is allowed a deduction for the prepayment of state or local real property taxes in 2017 depends on whether the taxpayer makes the payment in 2017 and the real property taxes are assessed prior to 2018. A prepayment of anticipated real property taxes that have not been assessed prior to 2018 are not deductible in 2017. State or local law determines whether and when a property tax is assessed.

Although the recently enacted tax act, An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018 (the Act), was only signed into law this past Friday, we are working diligently to provide guidance on the many changes introduced by the Act. We issued an advisory on December 27, available on our website at [www.irs.gov/newsroom/irs-advisory-prepaid-real-property-taxes-may-be-deductible-in-2017-if-assessed-and-paid-in-2017](http://www.irs.gov/newsroom/irs-advisory-prepaid-real-property-taxes-may-be-deductible-in-2017-if-assessed-and-paid-in-2017), to provide clarification to taxpayers, advisors, and local taxing authorities that have questions about the deductibility of prepaid real property taxes.

I hope this information is helpful. If you have additional questions, please contact me, or a member of your staff may contact Leonard Oursler, Director, Legislative Affairs at 202-317-6985.

Sincerely,

A handwritten signature in cursive script, appearing to read "D. Kautter".

David J. Kautter  
Acting Commissioner