

IRS Announces Property Tax Prepayments May Not Be Deductible

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One of the outstanding questions from the new tax bill is whether individuals can prepay their 2018 property taxes in advance to claim the full deduction in 2017. The IRS announced in an advisory late yesterday that prepaying 2018 state and local real property taxes may only be tax deductible under certain circumstances. Specifically, the IRS advisory states that a “prepayment of anticipated real property taxes that have not been assessed prior to 2018 are not deductible in 2017.” Thus, it becomes a question of state property tax law.

In Florida, assessments are as of January 1st of each individual year, but properties are not actually assessed until later in the calendar year. Truth In Millage – TRIM – notices come out in August 2018 for the 2018 property tax assessments, and the assessments are determined throughout the year until that point. Therefore, the IRS advisory appears to not allow for prepayment of 2018 property taxes in Florida in order to claim 2017 deductions, as the assessments will not be completed by January 1, 2018. This is the position of many elected Tax Collectors across the state as well, including Orange County Tax Collector Scott Randolph. This does not impact payment of 2017 property taxes, which are due as of March 31, 2018. Those 2017 property tax bills were mailed in October and are in the hands of property owners now.

The full IRS advisory can be found here: <https://www.irs.gov/newsroom/irs-advisory-prepaid-real-property-taxes-may-be-deductible-in-2017-if-assessed-and-paid-in-2017>

Lowndes, Drosdick, Doster, Kantor & Reed, P.A. has a Property Tax Group that can help with all your property tax questions, from initial review of the valuations on the TRIM notice through official challenges at the Value Adjustment Board (VAB), as well as filing a civil suit challenging an adverse decision by the VAB. We also deal extensively with various property tax exemption approvals and denials.

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