

## **Additional Information regarding Pre-payment of Property Taxes**

December 28, 2017

**RE: IRS Advisory on Deductibility of Prepaid Property Taxes Offers Some Guidance**

Dear Mayor:

**As a follow-up to yesterday's letter, here is the latest we have concerning the recently adopted Federal Income Tax Reform bill that will cap the allowable deduction for combined State and Local Taxes (SALT) at Ten Thousand Dollars (\$10,000.00), per year.**

As indicated yesterday, Governor Christie has issued an Executive Order directing the Director of the Division of Local Government Services to "notify municipalities to accept payments for 2018 property taxes in calendar year 2017 and require them to credit those payments as received in 2017 if the payment is postmarked on or before December 31, 2017." **[Click here for a copy of the Executive Order.](#)**

Next, the Department of Community Affairs, Division of Local Government Services, issued a Local Finance Notice (LFN), stating that municipalities must accept 2018 tax pre-payment for property taxes. **[Click here for a copy of the LFN.](#)**

We can now report that, late Wednesday, the Internal Revenue Service (IRS) issued an advisory concerning **The Possible Deductibility of 2018 Property Taxes Prepaid in 2017.** The advisory states that taxpayers will be able to deduct only amounts paid for property taxes already assessed and paid during the current calendar year.

You may want to inform your taxpayers that you cannot provide any advice on whether, or not, they should pre-pay taxes, how much to pre-pay, or the possible tax impact, which will depend on their individual circumstances, future IRS rule-making, and possible future legislation, over which you have no control.

The Governor's Executive Order and the Local Finance Notice have raised a number of technical complications, many of which have been brought to our attention by municipal finance professionals. We have requested further guidance from the Division of Local Government Services but given the late date, we do not expect further guidance in the form of Local Finance Notices to be issued this calendar year.

Sincerely,

Michael J. Darcy, CAE  
Executive Director