

March 28, 2018

Mr. David J. Kautter
Acting Commissioner
Internal Revenue Service
1111 Constitution Avenue, NW
Washington, DC 20224

Dear Commissioner Kautter:

On behalf of Minnesota taxpayers, I am writing to seek specific guidance from the IRS regarding whether Minnesotans who prepaid 2018 state and local real property taxes in 2017 may deduct those payments for tax year 2017.

The IRS issued guidance on December 27, 2017, indicating that state or local law would determine whether prepayments would be deductible in 2017 based on whether the real property taxes were assessed. That guidance, however, is not specific to Minnesota law and its property tax assessment system. Currently, Minnesota taxes begin with Federal Taxable Income on the individual income tax return. Therefore, if the IRS allows the deduction, it will carry forward to the Minnesota return.

The examples in the December 27th Advisory do not clarify the IRS's stance for Minnesota taxpayers and preparers. Our state's taxpayers and tax professionals need to know how the IRS will treat these prepayments. Tax preparers need to know in order to advise their clients and prepare returns accurately. Minnesota taxpayers are filing their returns now, and are anxiously awaiting an answer from the IRS.

Please provide specific guidance as to whether the IRS will allow this deduction for Minnesotans on their 2017 federal returns.

Sincerely,



Cynthia Bauerly
Commissioner

CC: Rick Miller