

News Release

CONTACT John Louis
PHONE 651-556-6397
EMAIL john.louis@state.mn.us

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Contact: John Louis

john.louis@state.mn.us

Minnesota seeks IRS guidance on pre-paid 2018 property taxes

ST. PAUL, Minn. – On behalf of Minnesota taxpayers, the Minnesota Department of Revenue continues to seek guidance from the Internal Revenue Service on whether Minnesotans who prepaid 2018 state and local property taxes in 2017 can deduct those payments on their federal income tax returns this year.

A federal tax change, signed into law late last year, limited the annual state and local tax deduction at \$10,000 for tax years beginning in 2018. Some Minnesotans paid their 2018 property taxes in late 2017 in hopes of deducting their 2018 payments on this year's returns.

In the department's most recent attempt to obtain more specific guidance from the IRS, [Revenue Commissioner Cynthia Bauerly wrote a letter](#) to Acting IRS Commissioner David Kautter asking, on behalf of Minnesotans, to clarify guidance issued on December 27, 2017. That guidance indicated that state or local law would determine whether prepayments would be deductible for tax year 2017. The IRS guidance is not specific to Minnesota law and its property tax assessment system, leaving tax preparers and taxpayers uncertain on whether the prepayments are deductible on this year's tax returns.

"Minnesotans are filing their returns now," said Bauerly. "Taxpayers and tax professionals need to know whether the IRS will allow the deduction for Minnesotans on their 2017 federal returns."

Currently, Minnesota taxes begin with Federal Taxable Income on the individual income tax return. If the IRS allows the deduction, it will carry forward to the Minnesota return.

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