

FLAT FEES AND ASSESSMENTS THAT ARE NOT DEDUCTIBLE

- Flat fees for services provided by your local government (or homeowner's association) to ensure compliance with local ordinances are not deductible.
- Assessments for improvements to property, such as new streets, sidewalks or sewer lines, are not deductible.

EXCEPTIONS

Charges that are specifically allocable to maintenance or repair of local benefits may be currently deductible if all other requirements are met. For example, the cost of constructing a new sidewalk is not a deductible expense, however, charges which are specifically allocable to the repair or maintenance of existing sidewalks throughout the entire taxing jurisdiction are deductible.



PROPERTY TAXES— REAL ESTATE

*Deductible Items for
Federal Tax Purposes*



Please contact us with questions at
1-800-829-1040 or visit
www.irs.gov

THE PROBLEM

Property taxes are usually deductible items on federal income tax returns for many of your customers if the taxes are charged uniformly against all property in a given jurisdiction, and if they are based on the assessed property value. However, it can be very difficult for customers to determine if certain items that appear on a bill or statement are legally deductible. Want to help? Read on.

Samples of various bill formats used by many towns and counties reveal that often there is no clear indication as to which items on the documents are legally deductible



It is important that we help taxpayers identify items that appear on their statement as either deductible or non-deductible.

for the customer. Many of these tax bills were issued by local tax jurisdictions and often included taxes and fees that are not allowable

federal tax deductions. This appears to confuse customers who attempt to use these amounts to help offset their tax liabilities on their federal tax return.

More confusion surfaces as homeowners who have mortgages use the tax amount from their escrow statement, as this statement generally does not identify non-deductible assessments.

CERTAIN SERVICE CHARGES AND FEES ARE NOT LEGALLY DEDUCTIBLE

- Legally deductible property taxes, based on the property's assessed value, have a tax (millage) rate which is multiplied by the assessed value to calculate the tax.
- A tax or fee that doesn't show a rate and an assessment amount is usually not deductible.
- Unit fees for service delivery, such as fees charged for water usage, are not deductible. Periodic charges for service, such as sanitation charges, also fall into that category.



WHAT YOU CAN DO TO HELP

You can play a vital role in ensuring that your customers know the basics on what is and what is not allowable as a property tax deduction.

- When you change your tax bill format, consider adding a statement to the bill to alert residents that certain items are not allowable as deductions. This can be a statement that lists non-deductible assessments separately from deductible taxes.
- Mortgage companies can also add to future escrow statements, clarification or similar statements as previously discussed. This will alert customers that certain items are not allowable
- You can direct them to either contact the IRS at **1-800-829-1040** or visit the official IRS Web site at **www.irs.gov** and enter Publication 530 in the search window for more information.