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UPDATED: IRS Tax Prepayment Guidelines Appear to Kill Efforts of Montgomery County, Other Jurisdictions

Tax agency advises prepayment only deductible in 2017 if a person has already received a tax bill. Montgomery County's tax bills won't be posted until July 2018

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This story was updated at 12:30 p.m. Dec. 28.

A statement the IRS issued Wednesday prevents Montgomery County and other jurisdictions that have not sent next year's property-tax bills out from allowing last-minute prepayments to take advantage of expiring state and local deductions.

A prepayment of property taxes "that have not been assessed prior to 2018 are not deductible in 2017," the IRS statement says.

Montgomery County, which held a special legislative session on Tuesday just to allow prepayment, does not issue its 2018 property tax bills until July.

"My belief is there is nothing we can do to change the situation if they're saying the tax bills have to have been sent out, but that's what we have a county attorney for," Council member Roger Berliner, who pushed for the council's vote to allow prepayments, said Wednesday evening.

On Thursday afternoon, the county issued a statement advising residents of the IRS notice that says the county will make the 2018 tax assessment in July 2018. The notice also says the county can't refund prepayments already submitted to the county until there is

a 2018 tax bill for a person's account. Refunds will only go out if the prepayment exceeds the 2018 tax posted to a person's 2018 tax bill, according to the county statement.

The IRS guidelines were posted late Wednesday afternoon after several days in which governments in the Washington, D.C., area established systems for residents to prepay. Prince George's County had a special session scheduled for Thursday, but canceled it when the IRS advisory came out.

The flurry came after Congress passed a new federal tax-cut bill that President Donald Trump signed into law on Friday.

The new tax-cut bill caps the local and state deduction at \$10,000. In Maryland, about 45 percent of taxpayers take the deduction, for an average of \$13,000, according to IRS statistics. While the new federal bill bans prepayments on income tax, it does not bar property tax prepayments.

By prepaying estimated bills for 2018, property owners hoped to take the full state and local deduction on their 2017 tax returns and reduce their overall payments.

Berliner pitched the prepayment idea for Montgomery County last week, but a majority of the council objected, so the bill appeared dead.

It gained new life, though, after the public lobbied the council for prepayment.

The council reversed course and proceeded with a bill to allow prepayment. The council voted 7-1 in favor on Tuesday, with Council member Craig Rice opposed and Council member Tom Hucker absent.

On Wednesday, Montgomery County property owners lined up at the county's treasury office to make prepayments on next year's tax bill, hoping to take advantage of the uncapped state and local tax deduction.

Patrick Lacefield, the county's communications director, said 700 people submitted property tax prepayments to the county on Wednesday, totaling \$8 million.

Lacefield said Wednesday, after the IRS guidelines were posted, that the county can't give tax advice.

"We've said all along you can prepay, but we make no representation about deductibility," he said.

He noted that the county assesses taxes each year after the council approves the budget in May. The notice sent Thursday urged property owners to contact their tax advisors before considering prepaying property taxes.

An IRS spokesman would not comment further about the guidelines Wednesday evening and said the statement posted online spoke for itself.

"We did the best we could," Berliner said. "If it proves not to work, we tried."

Council member George Leventhal said on Twitter the guidance indicates property tax prepayments will not be deductible:



George Leventhal
@georgeleventhal

Turns out MoCo property tax prepayments are not deductible after all, under guidance issued today by IRS:
[irs.gov/newsroom/irs-a...](https://www.irs.gov/newsroom/irs-a...)

6:35 PM - Dec 27, 2017

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