

December 27, 2017

Re: Questions Concerning Property Tax Pre-Payment Option

Dear Mayor:

As reported in our last Weekly Update, the recently adopted Federal Income Tax Reform bill will cap the allowable deduction for combined State and Local Taxes (SALT) at Ten Thousand Dollars (\$10,000.00), per year.

As a result of this limit, which applies to all taxpayers' federal income tax filings, after this year, citizens may be asking about possible prepayment of 2018 property taxes, in 2017.

Governor Christie has just 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](#).

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

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, including whether, or not, the Internal Revenue Service (IRS) will allow the payments to be deductible on 2017 federal income taxes. Taxpayers should know that the IRS could decide that pre-payments made before the first of the year will not reduce their tax liability, on 2017 taxes, payable to the IRS on or before April 15, 2018.

Very truly yours,

Michael F. Cerra
Assistant Executive Directors