

insights

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Pending tax reform, prepaying 2018 real estate taxes could benefit Illinois individual taxpayers

In light of the tax reform bill pending in Congress, individuals throughout Illinois should give strong consideration to prepaying 2018 real estate taxes now to receive the largest possible benefit on their 2017 tax returns. As the bill currently stands, individual taxpayers now face the prospect of a \$10,000 limit on real estate tax deductions going forward.

The status of tax reform: Both the House and Senate versions of the tax bill limit the ability to deduct real estate taxes from personal income tax returns to a maximum of \$10,000. The Senate bill, however, only allows the maximum \$10,000 deduction through tax year 2025. As a conference committee reconciles the two versions, it appears likely the \$10,000 cap will remain, but its final parameters remain uncertain until a final compromise is reached.

For that reason, it could be advantageous for individuals in states like Illinois, which pay real estate taxes in arrears and have a prepayment process in place, to – prior to 2017 year end – prepay real estate taxes due in 2018 so they can receive the full benefit of the deduction before it is limited or done away with completely.

For example, in Cook County, Illinois, taxpayers can prepay the first installment of their 2017 real estate taxes due in 2018. [As detailed in this guide](#) from the Cook County Treasurer's Office, a good rule of thumb is to pay 55 percent of the previous year's bill. In Lake County, Illinois, taxpayers can prepay up to 100 percent of the previous year's tax bill. All Illinois prepayments are due by December 31, 2017.

Similar prepayment options could be available in other states across the country. Contact our real estate attorneys below to see if you could benefit from prepayment. We also suggest you consult with your income tax advisers to gauge whether prepaying such a deduction would benefit you.

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