



**484.2 Additional tax; wholesale liquor sales; Florida.** Additional amounts paid to Florida over the current tax due on liquor sales of wholesalers represent advance payment of future taxes and are not currently deductible by accrual method taxpayers. A deduction is allowable for taxes paid or accrued reduced by any credit available at the end of the taxable year. However, the corporation is entitled to a deduction in the taxable year in which a credit is allowable for the additional amounts paid. §§1.164-1, 1.461-1. (Secs. 164, 461; '86 Code.)

Rev. Rul. 71-193, 1971-1 C.B. 144.

**484.3 Additions to tax; Wisconsin.** The two percent addition to Wisconsin income tax on corporations for failure to pay the full amount of tax on the due date is a part of the tax and deductible. The two percent addition imposed on delinquent income tax and failure to file within the prescribed time is a nondeductible penalty; however, the one percent per month interest charge is deductible. Rev. Rul. 55-6 is modified to the extent that it held the one percent per month interest to be a penalty and not deductible. §§39.23(c)-1, 1.163-1. (Sec. 23(c), '39 Code; Secs. 163, 164, '86 Code.)

Rev. Rul. 55-65, 1955-1 C.B. 277; Rev. Rul. 60-127, 1960-1 C.B. 84.

**484.4 Adjusted gross income tax; Indiana.** The adjusted gross income tax imposed by Indiana is not deductible in arriving at adjusted gross income unless directly connected with the conduct of a trade or business. It is, however, deductible in arriving at taxable income provided the standard deduction is not elected. §1.62-1. (Secs. 62, 63; '86 Code.)

Rev. Rul. 65-19, 1965-1 C.B. 36.

**484.5 Adjustment for deduction in wrong year.** An accrual-basis company erroneously deducted New Jersey property taxes in the year paid instead of the year assessed. It was held that the tax accrued in 1952, a barred year, could not be deducted for 1953, when it was paid. However, since a credit or refund for 1952 was not barred when the deduction was originally claimed in 1953, an adjustment for 1952 for permissible. Clarified by Rev. Rul. 59-285 with respect to a change in accounting period. §39.3801(b)-9. (Sec. 3801(b), '39 Code; Sec. 1311, '86 Code.)

Rev. Rul. 57-13, 1957-1 C.B. 552.

**484.6 Assessment by irrigation district.** An assessment imposed by an irrigation district, a subdivision of a state, against all farm property within the district, is not deductible as a tax. The portion of the assessment attributable to operation and maintenance, administration, and water purchase costs is deductible as a trade or business expense and the portion attributable to repayment of the cost of the water distribution system is treated as an adjustment to increase the basis of the property with respect to which the assessment is, paid. §§1.162-12, 1.164-4, 1.1016-1. (Secs. 162, 164, 1016; '86 Code.)

Rev. Rul. 67-337, 1967-2 C.B. 92.

**484.7 Bank shares; Pennsylvania.** Taxes imposed by Pennsylvania on shares of banks and certain other corporations using the accrual method is deductible in the year imposed, even though paid in a later year. Modified to provide that Rev. Rul. 92 will not be applied retroactively to taxable years ended prior to June 8, 1953. G.C.M. 21329 revoked. §§29.23(d)-1, 39.23(d)-1, 29.43-2. (Secs. 23(d), 43, '39 Code; Secs. 164, 461, '86 Code.)

Rev. Rul. 92, 1953-1 C.B. 39; Rev. Rul. 55-615, 1955-2 C.B. 536.

**484.8 Boat tax; Maryland.** The tax imposed under section 4E(b) of the Maryland Boat Act of 1960, as amended, is deductible as a general sales tax. §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 68-635, 1968-2 C.B. 79.

## Taxes

### Deduction

**484.1 Accrual; adjustment of income in subsequent year.** Adjustments that increased the income on which the State franchise tax was based were made to an accrual method corporation's income. *Held*, the taxpayer was entitled to accrue and deduct the resulting additional franchise tax. (Sec. 23(c), '39 Code; Sec. 164, '86 Code.)

Anchor Cleaning Service, Inc., 22 T.C. 1029, Nonacqu., 1958-2 C.B. 9.

## Taxes

**484.9 Business; New Jersey.** The proper year of deduction for taxes imposed by New Jersey under the Retail Gross Receipts Tax Act, the Unincorporated Business Tax Act, and the Business Personal Property Tax Act, is explained with respect to an individual (sole proprietor) who operates a retail store and who computes his income from such business on the basis of a calendar year and under the accrual method of accounting. §1.461-1. (Sec. 461, '86 Code.)

Rev. Rul. 70-261, 1970-1 C.B. 121.

**484.10 Business corporation; Rhode Island.** The business corporation tax imposed by Rhode Island, based on net income or corporate excess, whichever yields the greater tax, accrues at the close of the taxable year for which it is imposed. I.T. 3920 superseded. §§1.164-1, 1.461-1. (Secs. 164, 461; '86 Code.)

Rev. Rul. 71-2, 1971-1 C.B. 59.

**484.11 Business profits tax; individuals; New Hampshire.** The New Hampshire Business Profits Tax is deductible by a sole proprietor in determining adjusted gross income. §§1.62-1, 1.164-1. (Secs. 62, 164; '86 Code.)

Rev. Rul. 81-288, 1981-2 C.B. 17.

**484.12 Capital stock and franchise taxes; Pennsylvania.** The Pennsylvania capital stock tax and franchise tax imposed on corporations accrue on the last day of the taxable year for which the tax is levied or imposed. I.T. 3189 superseded. §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 71-77, 1971-1 C.B. 66.

**484.13 Construction projects.** In the absence of an election to capitalize taxes and charges, the taxpayer may deduct Federal social security and unemployment taxes and North Carolina unemployment and use taxes incurred in connection with wages and materials involved in the construction of two housing projects. (Secs. 23(a), 23(c), 24(a), '39 Code; Secs. 162, 164, 261, '86 Code.)

R. A. Bryan, 32 T.C. 104, Acq., 1959-2 C.B. 4; Joe W. Stout, 31 T.C. 1199, Acq., 1959-2 C.B. 7.

**484.14 Contested; franchise taxes; Ohio.** The additional Ohio State franchise taxes assessed as the result of a court decision requiring U.S. obligations to be included in the franchise tax base, did not accrue as a tax liability until the year of the decision. (Sec. 461, '86 Code.)

Rev. Rul. 55-731, 1955-2 C.B. 254.

**484.15 Contested; previously paid; personal holding company taxable income.** In determining undistributed personal holding company income, Federal income tax deficiencies contested but paid are deductible in the year paid if the conditions of section 461(f) are satisfied, and recovered amounts are includible in the year of recovery, unless an exclusion is available under section 111(c)(2) of the Code. §§1.111-1, 1.461-2, 1.545-2. (Secs. 111, 461, 545; '86 Code.)

Rev. Rul. 69-620, 1969-2 C.B. 137.

**484.16 Corporate excise tax; Tennessee.** Corporate excise taxes imposed by Tennessee on domestic and foreign corporations, which are due and payable on the first day of the fourth month following the close of the taxpayer's taxable year, accrue at the close of the taxable year next preceding the date on which they are payable and are deductible for such year. G.C.M. 25202 superseded. §§1.164-1, 1.461-1. (Secs. 164, 461; '86 Code.)

Rev. Rul. 70-636, 1970-2 C.B. 45.

**484.17 Corporate franchise; Illinois.** The annual franchise tax imposed by Illinois on ordinary business corporations, domestic or foreign, accrues on July 1 of each year. I.T. 3186 super-

seded. §§1.164-1, 1.461-1. (Secs. 164, 461; '86 Code.)

Rev. Rul. 71-10, 1971-1 C.B. 61.

**484.18 Corporate franchise; New York.** The New York State corporate franchise tax, based on net income, accrues for the taxable year in which the income is earned even though the amount of liability cannot be determined before that year ends. I.T. 3697 and I.T. 3971 superseded. §§1.164-1, 1.461-1. (Secs. 164, 461; '86 Code.)

Rev. Rul. 70-635, 1970-2 C.B. 44.

**484.19 Corporate franchise; New York; foreign corporations.** The New York State corporate franchise tax is deductible in full by a foreign corporation for federal income tax purposes. §1.882-1. (Sec. 882, '86 Code.)

Rev. Rul. 79-186, 1979-1 C.B. 238.

**484.20 Corporate franchise and filing fees; Michigan.** Franchise fees paid by a corporation to Michigan are deductible as taxes but fees paid for filing, examining, and certifying articles of incorporation are nondeductible capital expenditures subject to the election to be treated as amortizable deferred expenses under section 248 of the Code. I.T. 3468 superseded. §§1.164-1, 1.248-1. (Secs. 164, 248; '86 Code.)

Rev. Rul. 72-47, 1972-1 C.B. 51.

**484.21 Corporate franchise or license; Virginia.** The franchise or license tax imposed by Virginia on a public service corporation based on the gross receipts of the taxable year accrues as of December 31; however, the portion based on miles of telephone line owned and used as of January 1 of the tax year is not determined until that date, such portion accrues on January 1 of the tax year. §§1.164-1, 1.461-1. (Secs. 164, 461; '86 Code.)

Rev. Rul. 71-212, 1971-1 C.B. 145.

**484.22 Corporate franchise tax; Ohio.** The annual corporate franchise tax imposed by Ohio accrues on January 1 of the tax year in and for which liability for the tax is incurred. §1.164-1, 1.461-1. (Secs. 164, 461; '86 Code.)

Rev. Rul. 73-331, 1973-2 C.B. 47.

**484.23 Corporate license; Kentucky.** The corporation license tax imposed by Kentucky accrues, for an accrual method calendar year taxpayer, on January 1 of the calendar year in which a report regarding such tax is required to be submitted to the State. I.T. 3232 superseded. §§1.164-1, 1.461-1. (Secs. 164, 461; '86 Code.)

Rev. Rul. 71-210, 1971-1 C.B. 72.

**484.24 Corporate loans; Pennsylvania.** The corporate loans tax imposed by Pennsylvania is deductible in the taxable year in which interest on the loan is paid to the taxpayer and the tax is withheld by the corporate obligor. I.T. 3184 superseded. §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 70-623, 1970-2 C.B. 42.

**484.25 Corporation business tax; New Jersey.** The New Jersey corporation business tax accrues during the "privilege period," the calendar or fiscal accounting period for which the tax is payable under the New Jersey Corporation Business Tax Act, and is deductible in the taxable year in which the "privilege period" ends. Rev. Rul. 70-652 revoked. §§1.164-1, 1.461-1. (Secs. 164, 461; '86 Code.)

Rev. Rul. 71-526, 1971-2 C.B. 123.

**484.26 Corporation franchise tax; California.** The California corporation franchise tax is deductible by accrual method, calendar year corporations in the year for which the tax is imposed, both for corporations subject to the tax prior to 1972 and for those commencing business after 1971. Rev. Rul. 68-305 superseded for taxable

years beginning after December 31, 1971. §§1.164-1, 1.461-1. (Secs. 164, 461; '86 Code.)

Rev. Rul. 79-410, 1979-2 C.B. 213.

**484.27 Employee contributions to Iowa retirement system.** The so-called tax imposed by Iowa on public employees in connection with the Iowa Public Employees' Retirement System is not a deductible tax, but rather a payment by the employee on the purchase of an annuity. §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 58-141, 1958-1 C.B. 101.

**484.28 Estate; income in respect of decedent; residuary bequest to charitable foundation.** In computing the deduction allowed under section 691(c) in the case of a long-term capital gain resulting from property received under a will providing a bequest to the taxpayer of a specific amount and a residuary gift to a charitable foundation, no recomputation of the residuary charitable bequest is to be made. (Sec. 691, '86 Code.)

Thomas M. Chastain, 59 T.C. 461, Acq., 1978-1 C.B. 1.

**484.29 Estate's real property tax paid by beneficiary.** A taxpayer, the income beneficiary of an estate, authorized the executor-trustee to withhold distributions of income due her to pay taxes on estate property in danger of being sold for nonpayment of property taxes. *Held*, payment of the taxes protected her beneficial interest in the property and were deductible by her. (Sec. 23(c), '39 Code; Sec. 164, '86 Code.)

Mary Rumsey Movius, 22 T.C. 391, Acq., 1954-2 C.B. 5.

**484.30 Excise tax; Pennsylvania.** Amounts paid pursuant to the Pennsylvania Domestic Excise Tax Act of 1953 for the privilege of exercising corporate franchises or other powers or privileges within the state are deductible from gross income as taxes. §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 66-185, 1966-2 C.B. 51.

**484.31 Excise tax; Pennsylvania; accrual basis corporation.** The Pennsylvania excise tax imposed on corporate net income is deductible by an accrual basis corporation for the taxable year in which the income is earned. I.T. 3141 superseded. §§1.164-1, 1.461-1. (Secs. 164, 461; '86 Code.)

Rev. Rul. 70-561, 1970-2 C.B. 40.

**484.32 Fees; capital stock certificates of increase; Indiana.** The fees paid by corporations under section 25-602 of Title 25, Burns' Indiana Statutes Annotated (1960), for filing certificates of increase of capital stock are deductible from gross income as taxes. §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 66-184, 1966-2 C.B. 50.

**484.33 FICA and FUTA; employers.** The tax imposed on employers under section 3111 of the FICA is deductible by accrual basis taxpayers in the year in which wages are actually or constructively paid. On a cash basis, such tax is deductible by the employer only when paid. An employer may be entitled to a credit for the tax imposed under section 3301 of the FUTA. However, the total credits allowed to a taxpayer under section 3302 shall not exceed 90 percent of the tax against which such credits are allowable. For calendar years 1970 through 1972 an accrual taxpayer may accrue as a fixed tax liability each year 0.5 percent of the wages paid during those years and for calendar year 1973 it may accrue 0.58 percent of the wages paid during that year with the total remaining liability classified as contingent until State law is certified by the Secretary of Labor on October 31. Rev. Rul. 70-507 superseded. §§1.162-1, 1.461-1. (Secs. 162, 461; '86 Code.)

Rev. Rul. 74-70, 1974-1 C.B. 116.

**484.34 FICA and self-employment tax; totalization agreement.** Social security payments

made to a foreign country under the terms of a totalization agreement are neither allowable as a deduction nor as a credit. §§1.164-1, 1.901-1, 1.1401-1. (Secs. 601.401, 601.602, S.P.R.; Secs. 164, 901, 1401, 3101, 3111, '86 Code.)  
Rev. Proc. 80-56, 1980-2 C.B. 851.

**484.35 Filing fee of candidate for election; North Carolina.** The primary filing fee, required of candidates for political office by section 163-120 of the General Statutes of North Carolina, is not deductible as a business expense, as a tax, or as an expense paid or incurred for the production of income. Rev. Rul. 57-345 revoked. §§1.162-1, 1.164-1, 1.212-1. (Secs. 162, 164, 212; '86 Code.)  
Rev. Rul. 60-366, 1960-2 C.B. 63.

**484.36 Foreign income tax; Indonesia; retained oil production.** No portion of oil production retained by the Indonesian Government under a production-sharing contract with a U.S. taxpayer is an "income tax" creditable under sections 901(b) or 903 or deductible under section 164(a)(3). This ruling will not be applied to amounts claimed as taxes paid or accrued to Indonesia for taxable years beginning before June 30, 1976, under contracts entered into before April 8, 1976. Amplified by Rev. Rul. 78-410. Rev. Rul. 69-388 modified. §§1.164-1, 1.901-1, 1.903-1. (Secs. 164, 901, 903; '86 Code.)  
Rev. Rul. 76-215, 1976-1 C.B. 194.

**484.37 Foreign income tax; Indonesia; retained oil production.** An adjustment after April 8, 1976, to an oil production sharing contract entered into before that date by the Indonesian Government and a U.S. taxpayer increased Indonesia's share of the production but did not fundamentally change the terms making it a production sharing contract. The share received by Indonesia under the adjusted contract will continue to be treated as foreign income taxes for taxable years ending before January 1, 1978. The limitation provided in section 1035(c)(2) of the Tax Reform Act of 1976 will apply to taxable years beginning after June 29, 1976. Rev. Rul. 76-215 amplified. §§1.164-1, 1.901-1, 1.903-1, 301.7805-1. (Secs. 164, 901, 903, 7805; '86 Code.)  
Rev. Rul. 78-410, 1978-2 C.B. 347.

**484.38 Foreign income tax; interest on tax-exempt securities.** Section 265(1) does not preclude the deduction of foreign income taxes paid with respect to interest income from tax-exempt securities of U.S. political subdivisions and not claimed as a foreign tax credit. I.T. 3234 superseded. §§1.164-2, 1.265-1, 1.275-1. (Secs. 164, 265, 275; '86 Code.)  
Rev. Rul. 70-429, 1970-2 C.B. 49.

**484.39 Foreign income tax; small business corporation.** The shareholders of an electing small business corporation are not entitled to a credit for income tax paid to a foreign government by the corporation. However, the corporation is entitled to a tax deduction, provided it does not take the benefits of section 901 of the Code. §§1.164-1, 1.1373-1. (Secs. 164, 1373; '86 Code.)  
Rev. Rul. 68-128, 1968-1 C.B. 381.

**484.40 Foreign taxes; proration by parent to subsidiaries.** A parent corporation cannot allocate foreign taxes paid by it to its wholly owned subsidiaries, even though the foreign tax assessment against the parent is based on the income of the subsidiaries. Distinguished by Rev. Rul. 77-209. §§1.164-1, 1.901-1. (Secs. 164, 901; '86 Code.)  
Rev. Rul. 58-518, 1958-2 C.B. 381.

**484.41 Franchise; Connecticut.** The annual franchise tax imposed by Connecticut accrues for the taxable year the income is earned with respect to a calendar year, accrual basis corporation. I.T.

2935 superseded. §§1.164-1, 1.461-1. (Secs. 164, 461; '86 Code.)  
Rev. Rul. 71-230, 1971-1 C.B. 73.

**484.42 Franchise; Iowa.** Franchise fees imposed by Iowa on corporations for charter renewals of limited duration are deductible as taxes. Legal costs incurred incident to such limited charter renewals are amortizable. §§1.164-1, 1.248-1. (Secs. 164, 248; '86 Code.)  
Rev. Rul. 63-259, 1963-2 C.B. 95.

**484.43 Franchise; Maryland.** The annual franchise tax imposed by Maryland accrues as of January 1 with respect to a calendar year, accrual basis corporation. I.T. 3192 superseded. §1.164-1. (Sec. 164, '86 Code.)  
Rev. Rul. 71-205, 1971-1 C.B. 71.

**484.44 Franchise; Massachusetts.** The Massachusetts franchise tax on utility corporations due and payable June 30 of each year constitutes an accrued liability on December 31 of the preceding year where the corporation files its return on the calendar year basis. For a fiscal year corporation, the franchise tax accrues on the last day of the preceding fiscal year for which the return was due prior to April 1 of the year in which the tax is to be assessed. §§29.23(c)-1, 29.43-2. (Secs. 23(c), 43, '39 Code; Secs. 164, 461, '86 Code.)  
Rev. Rul. 74, 1953-1 C.B. 81.

**484.45 Franchise tax; increase due to adjustment of income.** An accrual method taxpayer contesting a part of audit adjustments that increased its corporate income upon which state franchise tax was based may accrue and deduct additional franchise tax resulting from the contested adjustment. (Sec. 23(c), '39 Code; Sec. 164, '86 Code.)  
Jack M. Chesbro, 21 T.C. 123, Nonacq., 1958-2 C.B. 9.

**484.46 Gross income; individuals; Indiana.** Indiana gross income tax allocable to the gross income from an individual's trade or business is deductible from gross income in computing adjusted gross income. I.T. 3829 superseded. §1.62-1. (Sec. 62, '86 Code.)  
Rev. Rul. 71-279, 1971-2 C.B. 81.

**484.47 Gross income; partnership; Indiana.** The Indiana gross income tax paid by a partnership is deductible from the partnership's gross income. Such tax is not an allowable deduction to the individual partners, but they are not precluded from claiming the optional standard deduction. I.T. 3766 superseded. §§1.61-1, 1.164-1, 1.701-1. (Secs. 61, 164, 701; '86 Code.)  
Rev. Rul. 71-278, 1971-2 C.B. 75.

**484.48 Gross receipts tax; District of Columbia.** Taxpayer is entitled to deduct the District of Columbia gross receipts tax imposed on the gain realized from the sale of its assets, even though such gain is not recognized under section 337. (Sec. 265, '86 Code.)  
The City Bank of Washington, 38 T.C. 713, Acq., 1964-2 C.B. 4.

**484.49 Gross receipts tax; New Mexico.** Situations illustrate whether the New Mexico Gross Receipts Tax is deductible by the purchaser of a home. §1.164-3. (Sec. 164, '86 Code.)  
Rev. Rul. 82-173, 1982-2 C.B. 58.

**484.50 Housing cooperative; apartment erected on leased land.** A cooperative housing corporation, which leases land and constructs thereon at its own expense an apartment building with an estimated useful life substantially shorter than the terms of the lease may deduct real estate taxes it pays or incurs with respect to the building pursuant to the terms of the ground lease, even though legal title to the building is vested in the lessor of the land. The cooperative may also

deduct interest it pays on the indebtedness contracted to finance construction of the building. Consequently, the tenant-stockholders may deduct their proportionate share of such taxes and interest. §§1.163-1, 1.164-1, 1.216-1. (Secs. 163, 164, 216; '86 Code.)  
Rev. Rul. 62-178; 1962-2 C.B. 91.

**484.51 Housing cooperative; apartment tenant-stockholders.** A nonstock corporation which sells perpetual use and equity contracts or proprietary leases to its members may constitute a cooperative apartment corporation provided 80 percent of its gross income is derived from tenant-stockholders. Purchasers of such contracts or leases who are tenant-stockholders are entitled to deduct their proportionate share of taxes and interest paid or incurred by the corporation. §39.23(z)-1. (Sec. 23(z), '39 Code; Sec. 216, '86 Code.)  
Rev. Rul. 55-316, 1955-1 C.B. 312.

**484.52 Housing cooperative; commercial space sold.** The sale of commercial space in a cooperative apartment building, which has been incorporated as a cooperative apartment corporation, will not prevent the corporation from being classified as a cooperative housing corporation, provided 80 percent of its gross income is derived from tenant-stockholders who are individuals. Accordingly, the tenant-stockholder may deduct his pro rata share of the interest and taxes paid by the corporation. §1.216-1. (Sec. 216, '86 Code.)  
Rev. Rul. 58-421, 1958-2 C.B. 112.

**484.53 Housing cooperative; leased improved real property.** Tenant-stockholders of a cooperative housing corporation which leased land and an apartment building erected thereon are not entitled to a deduction for their proportionate share of real estate taxes on the apartment building required to be paid by the corporation under the terms of the lease, even though the estimated useful life of the building is substantially shorter than the term of the lease. §§1.164-1, 1.216-1. (Secs. 164, 216; '86 Code.)  
Rev. Rul. 62-177; 1962-2 C.B. 89.

**484.54 Housing cooperative; tenant-stockholders.** Amounts representing real estate taxes and interest paid during the last quarter of a calendar year to a cooperative housing corporation whose fiscal year ends September 30 by a tenant-stockholder on a calendar year basis may not be deducted by the tenant-stockholder when he files a timely return for that taxable year. A claim for refund or amended return may be filed based on these payments when it has been ascertained that the corporation qualifies as a housing cooperative for the fiscal year which includes such final quarter. §1.216-1. (Sec. 216, '86 Code.)  
Rev. Rul. 59-257, 1959-2 C.B. 101.

**484.55 Housing cooperative; tenant-stockholders; subscription payments.** Subscription payments by tenant-stockholders for membership in a housing cooperative represent equity investment and no portion thereof is deductible by tenant-stockholders as their proportionate share of real estate taxes and interest paid by the cooperative during the period the housing units are under construction. Modified by Rev. Rul. 73-15 with respect to "points." §§1.163-1, 1.164-1, 1.216-1. (Secs. 163, 164, 216; '86 Code.)  
Rev. Rul. 70-92, 1970-1 C.B. 53.

**484.56 Husband and wife; separate returns; tenants by the entirety.** A husband and wife filing separate returns may deduct only the amount of tax and interest actually paid by each on mortgaged property held as tenants by the entirety. G.C.M. 15530 superseded. §§1.163-1, 1.164-1. (Secs. 163, 164; '86 Code.)  
Rev. Rul. 71-268, 1971-1 C.B. 58.

**484.57 Income; advance payment.** An accrual basis corporation required to file a tentative State tax report by April 30 and pay an amount based on

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the prior year's tax may not deduct the portion of the tentative payment that exceeds its actual tax for the year. §1.461-1. (Sec. 461, '86 Code.)

Rev. Rul. 71-194, 1971-1 C.B. 145.

### **484.58 Income; advance payment; Kentucky.**

An advance payment of Kentucky income tax as reported on a tentative calendar year return of a cash basis taxpayer is deductible in the year paid. I.T. 4054 superseded. §§1.164-1, 1.461-1. (Secs. 164, 461, '86 Code.)

Rev. Rul. 71-190, 1971-1 C.B. 70.

**484.59 Income; Cincinnati, Ohio.** The tax imposed by the Cincinnati Ordinance No. 42-1954 constitutes an income tax which is not deductible by an individual in computing adjusted gross income but may be deducted in arriving at net taxable income provided that he does not elect to take the standard deduction. Such tax paid by a partnership is deductible in determining its taxable income and the individual partners are not precluded from electing to claim the standard deduction. I.T. 3829 and Rev. Rul. 54-598 distinguished. §§1.141-1, 1.164-1. (Secs. 62, 141, 164, '86 Code.)

Rev. Rul. 58-25, 1958-1 C.B. 95.

**484.60 Income; Maryland.** The amount of Maryland income tax withheld from a cash method individual taxpayer's salary or wages and/or the amount thereof paid by such taxpayer as estimated tax is deductible in the taxable year withheld and/or paid. (Sec. 164, '86 Code.)

Rev. Rul. 56-124, 1956-1 C.B. 97.

**484.61 Income; Oklahoma.** The income tax imposed by the State of Oklahoma accrues for Federal income tax purposes as of the end of the calendar or fiscal year, whichever the taxpayer uses in filing his State income tax return. G.C.M. 18828 superseded. §§1.164-1, 1.461-1. (Secs. 164, 461, '86 Code.)

Rev. Rul. 72-490, 1972-2 C.B. 100.

**484.62 Industrial project; leasing arrangement with municipality.** A leasing arrangement under which a municipality will issue bonds for the financing of equipment to be acquired by a manufacturing corporation and leased, for the term of the bonds plus one day, to the city which will sublease it to the corporation for the term of the bonds for subrentals sufficient to retire the bonds, is a financing arrangement entitling the corporation as owner of the equipment to the tax treatment contained in Rev. Rul. 68-590. §1.162-1. (Sec. 162, '86 Code.)

Rev. Rul. 74-290, 1974-1 C.B. 41.

**484.63 Industrial project; leasing arrangement with political subdivision.** A corporation that enters into certain agreements with a political subdivision of a State for the financing, construction, and operation of an industrial project is considered to be the owner of the project. The primary agreement is in the form of a lease of the project by the city to the corporation with an option to purchase. The political subdivision obtained funds to finance the purchase or construction of the project by issuing industrial development bonds. The corporation will take into account any premium or discount on the bonds. Other tax treatment resulting to the corporation is set forth. Amplified to provide that bond counsel fees, printing costs, and other related fees incurred by a corporation in the issuance of the bonds must be amortized over the life of the bonds. §§1.38-1, 1.61-1, 1.61-12, 1.162-1, 1.163-1, 1.164-1, 1.167(a)-1, 1.263(a)-1. (Secs. 38, 61, 162, 163, 164, 167, 263, '86 Code.)

Rev. Rul. 68-590, 1968-2 C.B. 66; Rev. Rul. 73-134, 1973-1 C.B. 60.

**484.64 Inspection fee on volatile oil; Tennessee.** The one cent per gallon inspection fee on vol-

atile oil imposed by Tennessee is deductible if paid or accrued in connection with a trade or business or activity described in section 212 of the Code. §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 70-622, 1970-2 C.B. 41.

### **484.65 Insurance company's license tax; Kentucky.**

A license tax imposed upon insurance companies by Louisville, Kentucky, is nondeductible as a "state or local sales tax" by the purchaser of insurance to whom the tax is passed. However, premiums paid in connection with the operation of a trade or business and the tax added to them may be deductible as a business expense. §§1.162-1, 1.164-5, 1.264-1. (Secs. 162, 164, 264, '86 Code.)

Rev. Rul. 61-85, 1961-1 C.B. 45.

### **484.66 Intangible; Ohio; corporate stock and financial institutions.**

A corporation, financial or otherwise, paying the taxes levied by Ohio upon its shareholders' stock, may deduct the amount of such payments provided that it is not reimbursed by its shareholders for such payments. However, the taxes levied upon deposits in financial institutions are not deductible under section 164(e) by financial institutions paying such taxes, but are deductible under section 164(a) of the Code. Modified by Rev. Rul. 77-418. §1.164-7. (Sec. 164, '86 Code.)

Rev. Rul. 64-47, 1964-1 (Part 1) C.B. 98.

### **484.67 Intangible; Ohio; deposits in financial institutions.**

Rev. Rul. 77-418, relating to the intangible property tax levied by the State of Ohio on deposits in financial institutions, will not be applied for any purpose to such tax if the date fixed for the listing and assessment of the deposits occurs prior to December 1, 1978. Rev. Rul. 77-418 clarified, Rev. Rul. 78-79 superseded. §§1.164-1, 301.7805-1. (Secs. 164, 7805, '86 Code.)

Rev. Rul. 78-337, 1978-2 C.B. 346.

### **484.68 Intangible; Ohio; deposits in financial institutions.**

Taxes levied by the State of Ohio on deposits in financial institutions are deductible by the financial institution paying or accruing the taxes under section 164(a) for the duration of the suspension of section 5719.12 of the Ohio Rev. Code, which provides that financial institutions may deduct the taxes paid on deposits from depositors' accounts. Rev. Rul. 77-418 suspended. §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 79-357, 1979-2 C.B. 83.

### **484.69 Investment property; real property.**

Accounting fees and general office costs incurred by a corporation whose sole activity is an investment in unimproved, non-income-producing real property are deductible under section 162; interest and real property taxes incurred by the corporation may be deducted under sections 163 and 164, respectively. §§1.162-1, 1.163-1, 1.164-1, 1.266-1. (Secs. 162, 163, 164, 266, '86 Code.)

Rev. Rul. 78-195, 1978-1 C.B. 39.

### **484.70 Kansas City Missouri School District tax increase.**

Taxpayers who reside or earn income in the Kansas City Missouri School District can deduct as state and local income and property taxes an income and a property tax increase ordered by the United States District Court in the case of *Jenkins v. State of Missouri*, 672 F. Supp. 400 (W.D. Mo. 1987.)

Notice 88-41, 1988-1 C.B. 526.

### **484.71 License registration fees; Oklahoma.**

That portion of the annual license registration fees in excess of the flat fees imposed by Oklahoma for the registration of automobiles, house trailers, mobile homes, travel trailers, and boats is an ad valorem tax deductible as a personal property tax.

Rev. Rul. 65-62 superseded. §1.164-3. (Sec. 164, '86 Code.)

Rev. Rul. 74-454, 1974-2 C.B. 57.

### **484.72 Local benefits; front foot benefit charge.**

The Washington Suburban Sanitary Commission's assessments of front foot benefit charges against property in jurisdictions adjacent to the District of Columbia for water main and sewer improvements are assessments against local benefits of a kind tending to increase the value of the property assessed and are not deductible as taxes. I.T. 3423 superseded. §1.164-4. (Sec. 164, '86 Code.)

Rev. Rul. 75-455, 1975-2 C.B. 68.

### **484.73 Local benefits; municipal utility districts.**

Sewer, water, and solid waste disposal system taxes imposed by municipal utility districts, which understate law excluded land not benefited, formed by a taxpayer to enhance the value and marketability of a certain tract of land are not deductible under section 164 except to the extent they can be shown allocable to maintenance or interest charges. §1.164-4. (Sec. 164, '86 Code.)

Rev. Rul. 76-45, 1976-1 C.B. 51.

### **484.74 Local benefits; public parking facilities.**

Assessments paid by property owners to a city-created parking improvement district for use in providing public parking facilities in or near the district constitute assessments against local benefits of a kind tending to increase the value of the property assessed, and are nondeductible except to the extent properly allocable to maintenance or interest charges. §1.164-4. (Sec. 164, '86 Code.)

Rev. Rul. 60-327, 1960-2 C.B. 65.

### **484.75 Local benefits; sanitation service fee.**

Annual fees earmarked for sanitation services, imposed on all residential and commercial property in a county, based on the assessed value of the property, subject to a maximum limit with additional fees for commercial and special services, are not deductible as real property taxes. §1.164-4. (Sec. 164, '86 Code.)

Rev. Rul. 77-29, 1977-1 C.B. 44.

### **484.76 Local benefits; utility charges.**

The portion of a front foot benefit charge assessed against property benefited by construction of a water system and added to the taxpayer's real property tax bill that is properly allocated to interest and maintenance charges is deductible as a tax under section 164. No portion of a flat per unit charge or a two-part charge consisting of a metered charge and a uniform charge for maintenance and interest that a sewer or water authority imposes on all its customers is deductible under section 164. §1.164-4. (Sec. 164, '86 Code.)

Rev. Rul. 79-201, 1979-1 C.B. 97.

### **484.77 Local excise tax; nonprofit liquor dealer; North Dakota.**

An excise tax imposed by the city on gross sales of liquor by a "nonprofit" liquor dealer in North Dakota is deductible as a tax incurred in carrying on a trade or business. §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 69-605, 1969-2 C.B. 30.

### **484.78 Local tax unconstitutional.**

Taxpayer was entitled to accrue and deduct local taxes for 1948 which were paid in 1948 and 1949 even though the Act under which the taxes were imposed was declared unconstitutional in 1949. (Sec. 23(c), '39 Code; Sec. 164, '86 Code.)

Denise Coal Co., 29 T.C. 528, Acq., 1958-2 C.B. 5.

### **484.79 Margin fee; Philippines.**

The margin fee authorized by the law of the Philippines and charged by the Central Bank of the Philippines and its agent banks on the purchase of foreign currency is not deductible. §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 66-29, 1966-1 C.B. 39.

**484.80 Minimum tax.** The minimum tax for tax preferences imposed by section 56 is a nondeduct-

ible Federal income tax under section 275 rather than a deductible excise tax. §§1.162-1, 1.164-1, 1.275-1. (Secs. 56, 57, 162, 164, 275; '86 Code.)  
Rev. Rul. 77-396, 1977-2 C.B. 86.

**484.81 Moffat Tunnel; Colorado.** The annual taxes levied by the Moffat Tunnel Improvement District of Colorado are deductible for taxable years beginning after December 31, 1953, and ending after August 16, 1954. §39.23(c)-3. (Sec. 23(c), '39 Code; Sec. 164, '86 Code.)  
Rev. Rul. 55-284, 1955-1 C.B. 25.

**484.82 Mortgage; minister's residence; rental allowance received.** Veterans and other students may not deduct educational expenses, and ministers may not deduct interest and taxes paid on a personal residence, to the extent the amounts expended are allocable to tax-exempt income. Rev. Ruls. 62-212 and 62-213 revoked. §§1.107-1, 1.117-1, 1.162-1, 1.163-1, 1.164-1, 1.265-1, 301.7805-1. (Secs. 107, 117, 162, 163, 164, 265, 7805; '86 Code.)  
Rev. Rul. 83-3, 1983-1 C.B. 72.

**484.83 Mortgage; minister's residence; rental allowance received.** Ministers and members of the uniformed services who receive tax-free housing allowances will be permitted to deduct mortgage interest and property taxes on their homes. Rev. Rul. 83-3 modified; Rev. Rul. 85-96 obsolete. §§1.107-1, 1.163-1, 1.164-1, 1.265-1. (Secs. 107, 163, 164, 265; '86 Code.)  
Rev. Rul. 87-32, 1987-1 C.B. 131.

**484.84 Motor vehicle; Indiana.** The portion of the annual excise tax imposed by Indiana on motor vehicles registered in that State, in excess of the \$12 minimum fee is deductible as an ad valorem tax on personal property. The tax is not deductible for those years for which the tax levied is a flat fee of \$12. §1.164-1. (Sec. 164, '86 Code.)  
Rev. Rul. 71-471, 1971-2 C.B. 122.

**484.85 Motor vehicle fuel; Nebraska.** Nebraska motor vehicle fuel taxes are not imposed on the consumer and are not deductible under section 164(a). However, amounts representing such taxes paid by a consumer (other than in connection with his trade or business) are deductible under section 164(c) of the Code. I.T. 3669 revoked. §§39.23(c)-1, 1.164-1. (Sec. 23(c), '39 Code; Sec. 164, '86 Code.)  
Rev. Rul. 58-44, 1958-1 C.B. 98.

**484.86 National banks; paid for depositors; Rhode Island.** Where national banks in Rhode Island elect to pay the tax assessed by the State against depositors in order to compete with State banks and elect to receive no reimbursement from the depositors, the taxes so paid are deductible as business expenses. Each depositor in such case is required to report the amount of tax paid on his deposit as taxable income but may deduct the amount as a tax paid. I.T. 1388 superseded. §§1.61-1, 1.162-1, 1.164-1. (Secs. 61, 162, 164; '86 Code.)  
Rev. Rul. 69-497, 1969-2 C.B. 23.

**484.87 Nonoccupational disability benefits; private plans; New York.** Contributions made by employers and employees to the New York nonoccupational disability benefit fund are deductible as taxes, and contributions made by employers to private plans for the payment of nonoccupational disability benefits are deductible as business expenses. Amounts withheld from wages of employees for contributions to private plans are not deductible as taxes, business expenses or as medical expenses, but are nondeductible personal expenses. Rev. Rul. 71-73 superseded and Rev. Rul. 72-191 modified. §§1.162-1, 1.164-1, 1.213-1, 1.262-1. (Secs. 162, 164, 213, 262; '86 Code.)  
Rev. Rul. 81-192, 1981-2 C.B. 50.

**484.88 Nonprofit activity; unit rented to relative.** The application of section 183 is illustrated with respect to allocation and allowance of deductions by the owner of a three-family dwelling, one unit being owner occupied, one unit being rented to a relative at less than fair rental value and the remaining unit being rented at fair rental value. §§1.162-1, 1.163-1, 1.164-1, 1.167(a)-1, 1.183-1, 1.262-1. (Secs. 162, 163, 164, 167, 183, 262; '86 Code.)  
Rev. Rul. 76-287, 1976-2 C.B. 80.

**484.89 Occupation tax; Pennsylvania school district.** A tax imposed on individuals according to the assessed value of various occupations within a school district, under Pennsylvania Statutes, 53, P.S. 6901-6924, is deductible if paid or accrued by persons who are engaged in the taxed occupation as a trade or business. §1.164-1. (Sec. 164, '86 Code.)  
Rev. Rul. 70-295, 1970-1 C.B. 35.

**484.90 Occupation tax; Utah.** The occupation tax imposed by Utah on persons engaged in mining accrues on the last day of the calendar year preceding that in which the statement for the taxable year is required to be filed with the State tax commission. I.T. 3307 superseded. §§1.164-1, 1.461-1. (Secs. 164, 461; '86 Code.)  
Rev. Rul. 70-651, 1970-2 C.B. 47.

**484.91 Occupational license fee; Louisville, Ky.** The Louisville, Kentucky, occupational license fees measured by a percentage of all salaries, wages, commissions and net profits of a business are deductible in determining adjusted gross income to the extent attributable to a trade or business. Further, information from Federal income tax returns may be furnished to the appropriate city officials to assist them in the administration of such ordinance. Distinguished by Rev. Rul. 58-25 as to deductibility. §§39.22(n)-1, 39.23(c)-1, 39.55-1. (Sec. 22(n), 23(c), 55, '39 Code; Secs. 164, 167, 6103, '86 Code.)  
Rev. Rul. 54-598, 1954-2 C.B. 121.

**484.92 Ownership; legal v. equitable.** A corporation, organized by a committee of bondholders who had deposited their bonds which were in default with a bank as trustee, purchased the property subject to the mortgage which secured the bonds. The mortgage was not assumed in the tax year, but taxes on the property were accrued and deducted by the corporation which paid current operating expenses. *Held*, the bonds were not cancelled through merger of legal and equitable interests in the property; although not primarily liable on the mortgage, the corporation is the legal owner of the property, and taxes were properly accrued and deducted. (Sec. 23(b), Rev. Act. of 1936; Sec. 163, '86 Code.)

New McDermott, Inc., 44 B.T.A. 1035, Non-acq., 1954-1 C.B. 8.

**484.93 Ownership; motor vehicles, trailers, and semitrailers; Colorado.** The Colorado annual specific ownership tax on motor vehicles, trailers, and semitrailers is deductible as an ad valorem tax on personal property for those years for which the tax is computed on a varying percentage of the established tax value of the particular vehicle or trailer; the tax is not deductible for those years that the tax is a flat fee on such vehicle or trailer. Modified to provide that the tax is deductible only to the extent of the portion of the payment that is in excess of the minimum fee set forth in the Colorado statutes. §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 66-364, 1966-2 C.B. 52; Rev. Rul. 71-472, 1971-2 C.B. 123.

**484.94 Parking meter deposits.** Amounts deposited in District of Columbia parking meters are not deductible as taxes; if they represent expenditures in connection with a trade or busi-

ness they are deductible business expenses. I.T. 3365 superseded. §§1.162-1, 1.164-1. (Secs. 162, 164; '86 Code.)

Rev. Rul. 73-91, 1973-1 C.B. 71.

**484.95 Passport fee.** A fee paid for a passport issued to a citizen or person owing allegiance to, or entitled to the protection of, the U.S. is not deductible as a tax; however, a fee paid to procure a passport for business purposes is a deductible business expense. I.T. 2156 superseded. §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 72-608, 1972-2 C.B. 100.

**484.96 Pedestrian mall assessments.** Assessments by a city against business property owners for their shares of the costs of converting a downtown city street into an enclosed pedestrian mall are capital expenditures subject to depreciation and may not be deducted as ordinary and necessary business expenses. However, the portion of payments made to meet interest charges of bonds issued to finance the project is deductible as taxes. §§1.162-1, 1.164-4, 1.167(a)-1. (Secs. 162, 164, 167; '86 Code.)

Rev. Rul. 73-188, 1973-1 C.B. 62.

**484.97 Personal fortune tax; Zurich, Switzerland.** The personal fortune tax levied on a U.S. citizen residing in Zurich, Switzerland, is not allowable as a foreign tax credit; however, the portion allocable to securities held for the production of income is deductible under section 164 of the Code. §1.164-1, 1.901-1. (Secs. 164, 901; '86 Code.)

Rev. Rul. 70-464, 1970-2 C.B. 152.

**484.98 Personal income and earnings; New York City.** The personal income and earnings taxes imposed by the City of New York, effective for taxable years ending after July 1, 1966, are deductible as taxes. §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 67-323, 1967-2 C.B. 90.

**484.99 Personal property; Florida.** The tax on sales of tangible personal property imposed by Florida is a tax imposed on the purchaser or consumer and is deductible regardless of whether or not it is imposed with respect to property used in a trade or business. I.T. 3983 modified. §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 58-454, 1958-2 C.B. 76.

**484.100 Personal property; Florida; shareholders.** If a bank pays the Florida personal property tax imposed on its shareholders with respect to its stock which they hold and they do not reimburse the bank for it, the bank may deduct the amount of such tax payments. The amount of tax paid by the bank on behalf of the shareholder is not includable in the shareholder's gross income and no deduction is allowable to him for such amount paid by the bank. §1.164-7. (Sec. 164, '86 Code.)

Rev. Rul. 63-45, 1963-1 C.B. 36.

**484.101 Personal property; Iowa.** Personal property taxes imposed by Iowa accrue on January 1 of each year. G.C.M. 9793 superseded. §§1.164-1, 1.461-1. (Secs. 164, 461; '86 Code.)  
Rev. Rul. 71-75, 1971-1 C.B. 65.

**484.102 Personal property; Michigan.** The tax on the privilege of ownership of intangible personal property imposed by Michigan is deductible in the taxable year paid or accrued. §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 65-213, 1965-2 C.B. 45.

**484.103 Personal property; North Carolina.** The intangible personal property tax imposed by North Carolina accrues as of December 31 of each year with respect to an accrual basis taxpayer. G.C.M. 20025 superseded. §§1.164-1, 1.461-1. (Secs. 164, 461; '86 Code.)

Rev. Rul. 71-229, 1971-1 C.B. 73.

**484.104 Personal property; Ohio.** Ohio taxes on personal property and credits used in business

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accrue as of the close of business on December 31 annually. I.T. 2632 modified. §1.164-1. (Secs. 164, 461; '86 Code.)

Rev. Rul. 57-616, 1957-2 C.B. 305.

**484.105 Personal property; Philadelphia, Pennsylvania.** Personal property taxes imposed by the city (county) of Philadelphia, Pennsylvania, accrue on January 1 of the calendar year for which they are assessed. I.T. 3273 superseded. §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 71-249, 1971-1 C.B. 74.

**484.106 Personal property tax on bank stock refunded.** Examples illustrate the income tax treatment of a refund of Illinois personal property tax on bank shares paid by the bank on behalf of its shareholders, and the requirements for filing information returns Forms 1099-INT and 1099-DIV, in situations where the personal property tax was paid (1) from the bank's own funds and (2) from declared dividends belonging to the shareholders. §§1.61-1, 1.111-1, 1.164-7, 1.316-1, 1.6042-2, 1.6049-1. (Secs. 61, 111, 164, 316, 6042, 6049; '86 Code.)

Rev. Rul. 75-133, 1975-1 C.B. 21.

**484.107 Police and fire service charges; Wheeling, West Virginia.** Charges imposed upon the owners of buildings and tangible personal property by Wheeling, West Virginia, for the continuance, maintenance, and improvement of the police and fire departments of that city are "taxes" even though the charges are denominated as "service charges". §1.16-41. (Sec. 164, '86 Code.)

Rev. Rul. 61-152, 1961-2 C.B. 42.

**484.108 Political organization, state income taxes.** State income taxes paid by a political organization on its nonexempt function income are deductible in computing its taxable income. §§1.164-1, 1.527-4. (Sec. 164, 527; '86 Code.)

Rev. Rul. 85-115, 1985-2 C.B. 172.

**484.109 Property; Texas.** Property taxes in Texas accrue on January 1 of each year. Accordingly, an accrual method taxpayer filing a return for a six-month period including January 1 must deduct the entire tax liability from gross income in such return. G.C.M. 6272 superseded. §§1.164-1, 1.461-1. (Secs. 164, 461; '86 Code.)

Rev. Rul. 71-11, 1971-1 C.B. 61.

**484.110 Public Utilities; Gas Revenue; Messages; Illinois.** Effective with respect to taxes paid or accrued on or after January 1, 1984, the Illinois Public Utilities Tax, the Gas Revenue Tax, and the Messages Tax are deductible as general sales taxes if separately stated and paid by the consumer as required by section 164(b)(5). Rev. Rul. 67-240 superseded. §1.164-3. (Sec. 164, '86 Code.)

Rev. Rul. 85-52, 1985-1 C.B. 58.

**484.111 Real and personal property; Illinois.** Real property taxes imposed by Illinois accrue on January 1 of each year; personal property taxes accrue, including the capital stock tax, on April 1 of each year. G. C. Ms. 6273 and 18891 superseded. §§1.164-1, 1.461-1. (Secs. 164, 461; '86 Code.)

Rev. Rul. 71-60, 1971-1 C.B. 63.

**484.112 Real and personal property; Indiana.** The real and personal property taxes imposed by Indiana accrue on March 1 of each year. G.C.M. 7190 superseded. §§1.164-1, 1.461-1. (Secs. 164, 461; '86 Code.)

Rev. Rul. 71-107, 1971-1 C.B. 67.

**484.113 Real and personal property; Kansas.** Personal property taxes imposed by Kansas accrue on January 1 and real property taxes accrue as of November 1 for each year. I.T. 2495 superseded. §§1.164-1, 1.461-1. (Secs. 164, 461; '86 Code.)

Rev. Rul. 71-109, 1971-1 C.B. 68.

**484.114 Real and personal property; Louisiana.** Real and personal property taxes imposed by Louisiana accrue on the date the tax roll is filed by the assessor with the recorder's office. I.T. 2643 superseded. §§1.164-1, 1.461-1. (Secs. 164, 461; '86 Code.)

Rev. Rul. 70-649, 1970-2 C.B. 45.

**484.115 Real and personal property; Michigan.** Michigan personal property taxes accrue on the December 31 assessment date and real property taxes on the subsequent December 1 lien date; taxpayers desiring to change to these accrual dates must obtain prior approval. Rev. Rul. 39 revoked. §§1.164-1, 1.461-1. (Secs. 164, 461; '86 Code.)

Rev. Rul. 73-64, 1973-1 C.B. 70.

**484.116 Real and personal property; Minnesota.** Real and personal property taxes imposed by Minnesota accrue on January 2 and May 1, the respective lien dates. G.C.M. 7235 and G.C.M. 21373 superseded. §§1.164-1, 1.461-1. (Secs. 164, 461; '86 Code.)

Rev. Rul. 71-74, 1971-1 C.B. 64.

**484.117 Real and personal property; Mississippi.** The real property taxes imposed by Mississippi accrue on January 1 of each year and personal property taxes on March 1 of each year. G.C.M. 15894 superseded. §§1.164-1, 1.461-1. (Secs. 164, 461; '86 Code.)

Rev. Rul. 71-108, 1971-1 C.B. 67.

**484.118 Real and personal property; Missouri.** Real property and tangible personal property taxes levied by Missouri accrue on January 1 of each year. I.T. 4101 superseded. §§1.164-1, 1.461-1. (Secs. 164, 461; '86 Code.)

Rev. Rul. 71-3, 1971-1 C.B. 60.

**484.119 Real and personal property; Montana.** Real and personal property taxes imposed by Montana accrue on the first Monday of March each year. I.T. 2647 superseded. §§1.164-1, 1.461-1. (Secs. 164, 461; '86 Code.)

Rev. Rul. 71-110, 1971-1 C.B. 69.

**484.120 Real and personal property; New Jersey.** Personal and real property taxes imposed by New Jersey accrue on January 1 and October 1, respectively. Modified to provide that the real property taxes accrue on January 1, the lien date, of the year for which the taxes are assessed. Clarified to provide that the personal property taxes that accrue on January 1 of each year are only those for the communications equipment described in section 54-4-1 of the New Jersey Statutes Annotated, as amended. G.C.M. 15305 superseded. §§1.164-1, 1.446-1, 1.461-1. (Secs. 164, 446, 461; '86 Code.)

Rev. Rul. 71-46, 1971-1 C.B. 63; Rev. Rul. 72-409, 1972-2 C.B. 99; Rev. Rul. 73-63, 1973-1 C.B. 69.

**484.121 Real and personal property; North Carolina.** Real and personal property taxes imposed by North Carolina accrue on January 1 of each year. I.T. 3388 superseded. §§1.164-1, 1.461-1. (Secs. 164, 461; '86 Code.)

Rev. Rul. 71-111, 1971-1 C.B. 69.

**484.122 Real and personal property; North Dakota.** Real and personal property taxes in North Dakota accrue as of April 1 of each year. I.T. 3162 superseded. §§1.164-1, 1.461-1. (Secs. 164, 461; '86 Code.)

Rev. Rul. 71-23, 1971-1 C.B. 62.

**484.123 Real and personal property; Ohio.** Real property taxes imposed by Ohio accrue on January 1 of each year; personal property taxes accrue on December 31 of each year. I.T. 2632, Rev. Rul. 55-152 and Rev. Rul. 57-616 superseded. §§1.164-1, 1.461-1. (Sec. 164, 461; '86 Code.)

Rev. Rul. 71-204, 1971-1 C.B. 71.

**484.124 Real and personal property; Oklahoma.** Ad valorem taxes imposed by Oklahoma on real estate and personal property accrue as of January 1, of each year, except that taxes on unmanufactured farm products accrue as of May 31. Rev. Rul. 54-564 revoked and G.C.M. 18828 reinstated (later superseded by Rev. Rul. 72-490). Modified by Rev. Rul. 72-402. §§1.164-1, 1.461-1. (Secs. 23(c), 43, '39 Code; Secs. 164, 461, '86 Code.)

Rev. Rul. 62-107, 1962-2 C.B. 63; F.A. Gillespie Trust, 21 T.C. 739, Nonacq., 1962-2 C.B. 6

**484.125 Real and personal property; Rhode Island.** Real and personal property taxes imposed by Rhode Island accrue on December 31 of each year. I.T. 4043 superseded. §§1.164-1, 1.461-1. (Secs. 164, 461; '86 Code.)

Rev. Rul. 70-653, 1970-2 C.B. 48.

**484.126 Real and personal property; Washington.** Real and personal property taxes imposed by the State of Washington accrue on January 1 of each year. I.T. 3374 superseded. §§1.164-1, 1.461-1. (Secs. 164, 461; '86 Code.)

Rev. Rul. 71-12, 1971-1 C.B. 62.

**484.127 Real and personal property; West Virginia.** Real and personal property taxes imposed at varying rates by West Virginia are deductible as taxes under section 164. §§1.164-1, 1.164-3. (Sec. 164, '86 Code.)

Rev. Rul. 78-425, 1978-2 C.B. 113.

**484.128 Real and personal property; Wyoming.** Wyoming real and personal property taxes accrue on February 1 of each year. I.T. 3303 superseded. §§1.164-1, 1.461-1. (Secs. 164, 461; '86 Code.)

Rev. Rul. 71-133, 1971-1 C.B. 70.

**484.129 Real property; accrual.** A calendar year taxpayer using the accrual method of accounting, whose real estate taxes are levied for fiscal years beginning July 1 each year, has consistently treated the accrual date each year as July 1, but deducted half the tax in the assessment year and half the tax in the following year. If the taxpayer elects to continue this method, it may deduct in 1954 that part of its 1953 tax attributable to the first half of 1954, as well as that part of its 1954 tax attributable to the last half of 1954. (Sec. 461, '86 Code.)

Rev. Rul. 57-539, 1957-2 C.B. 303.

**484.130 Real property; allocation; corporate dissolution.** Section 164(d) which provides for the allocation of real property taxes between the seller and the buyer of real estate does not apply to a transfer resulting from the dissolution of a corporation. However, where inclusion of more than a pro rata amount of real estate taxes in the final return of a dissolving corporation will not clearly reflect income, section 164(d) will not prevent the Commissioner's allocation of such taxes under section 482 between the corporation and the distributee of the real estate. Distinguished by Rev. Rul. 72-237 with respect to the sale of the real property. §1.164-6. (Secs. 164, 482; '86 Code.)

Rev. Rul. 62-45, 1962-1 C.B. 27.

**484.131 Real property; California.** A lessee of real property or his successor in interest who has his name placed on the real estate tax assessment roll as coassesssee along with the owner may deduct real estate taxes imposed upon him by section 610 of the Revenue and Taxation Code of California, subject to the provisions relating to the apportionment of real property taxes between a seller and a purchaser, if applicable. Distinguished by Rev. Rul. 73-600. §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 68-84, 1968-1 C.B. 71.

**484.132 Real property; condominium apartment as residence; replacement.** Where an individual sells his principal residence and uses the

proceeds, within one year after the sale to purchase an apartment in a condominium apartment project which he uses as his new principal residence, he may deduct the taxes which he pays with respect to the apartment. §§1.163-1, 1.164-1, 1.1031-1. (Secs. 163, 164, 1031; '86 Code.)

Rev. Rul. 64-31, 1964-1 (Part 1) C.B. 300.

**484.133 Real property; contested liability; accrual date.** The contested portion of real property taxes did not accrue in the year remittance was made in order to avoid seizure and sale of the property but in the year the litigation was settled when all events had occurred that determined the tax liability. The refunded portion of the tax for which there was no liability was not income in the year recovered. §§39.22(a)-1, 39.23(c)-1, 39.43-1. (Secs. 22(a), 23(c), 43, '39 Code; Secs. 61, 164, 461, '86 Code.)

Consolidated Edison Co., 351 U.S. 909, Ct. D. 1864, 1961-2 C.B. 236.

**484.134 Real property; contested liability; Illinois.** The provisions of section 461(f) do not require an accrual method taxpayer to postpone, until the year of payment under protest, a deduction for Illinois property taxes properly accruable in the preceding taxable year. §1.461-2. (Sec. 461, '86 Code.)

Rev. Rul. 67-127, 1967-1 C.B. 113.

**484.135 Real property; contract land sale; Michigan.** Taxpayer sold her residence under a land sale contract whereby she retained record title. The buyer agreed to pay the property taxes but failed to do so and the taxpayer was assessed for the taxes which, under State law, became a debt for which her property could be seized and sold. *Held*, taxpayer is entitled to deduct the taxes paid. (Sec. 164, '86 Code.)

Virginia M. Cramer, 55 T.C. 1125, Acq., 1971-2 C.B. 2.

**484.136 Real property; Delaware.** In Delaware, ad valorem taxes on real estate accrue on their due date when liens attach to the property. For taxable years to which the 1939 Code is applicable, only the owner of the property at such time is entitled to deduct such taxes when paid or accrued, depending upon the method of accounting employed, irrespective of when the assessment becomes final and whether the assessment antedates a change of ownership. G.C.M. 23512 revoked. §39.23(c)-1. (Sec. 23(c), '39 Code; Sec. 164, '86 Code.)

Rev. Rul. 56-145, 1956-1 C.B. 612; Keil Properties, Inc., 24 T.C. 1113, Acq., 1956-1 C.B. 6.

**484.137 Real property; development company maintenance assessments.** Maintenance charges assessed against owners of residential property to provide municipal services and improvements are includible in the gross income of the development company and are not deductible as taxes by the property owners. No portion of the amount assessed is a capital expenditure. If an owner converts the property to rental property, such charges would be deductible business expenses. §§39.22(a)-1, 39.23(a)-1. (Secs. 22(a), 23(a), '39 Code; Secs. 61, 162, '86 Code.)

Rev. Rul. 55-154, 1955-1 C.B. 216.

**484.138 Real property; foreclosure sale; building and loan association.** The apportionment of real property taxes between the seller and the purchaser under section 164(d) is applicable to secured real property acquired by a building and loan association through a foreclosure sale. Rev. Rul. 62-45, dealing with the distribution of real estate resulting from the dissolution of a corporation, distinguished. §1.164-6, 1.595-1. (Secs. 164, 595; '86 Code.)

Rev. Rul. 72-237, 1972-1 C.B. 51.

**484.139 Real property; foreign country.** A deduction is allowed for real property taxes paid to a subdivision of a foreign government on a condominium apartment unit in which a U.S. taxpayer, as a noncitizen of the foreign country, is permitted to own a beneficial interest but not legal title. §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 74-408, 1974-2 C.B. 56.

**484.140 Real property; French registry tax.** The registry tax imposed by the French Government on the purchase of a residence in France is deductible in the year paid or accrued. (Sec. 164, '86 Code.)

Rev. Rul. 56-507, 1956-2 C.B. 120.

**484.141 Real property; Hawaii.** A lessee, who holds property in Hawaii for a term of fifteen years or more, or his successor in interest, is entitled to deduct the real property taxes imposed upon him. Distinguished by Rev. Rul. 73-600. §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 64-327, 1964-2 C.B. 56.

**484.142 Real property; homeowners association assessments.** Annual assessments paid to a homeowners association by its members for the exclusive purpose of promoting the recreation, health, safety, and welfare of the residents and for maintaining common areas of a residential housing project are not deductible as real property taxes. §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 76-495, 1976-2 C.B. 43.

**484.143 Real property; Illinois; delinquency.** The one percent addition on delinquent Illinois real estate taxes is deductible as interest; however, the twelve percent addition imposed from the date of forfeiture to the date of redemption is a nondeductible penalty. §1.163-1. (Sec. 163, '86 Code.)

Rev. Rul. 60-128, 1960-1 C.B. 85.

**484.144 Real property; Iowa.** Real property taxes imposed by Iowa accrue in September when levied by the board of supervisors. G.C.M. 22636 superseded. Amplified by Rev. Rul. 77-450. §§1.164-1, 1.461-1. (Secs. 164, 461; '86 Code.)

Rev. Rul. 70-654, 1970-2 C.B. 48.

**484.145 Real property; Iowa; accrual in transitional year.** An 18-month transitional tax year running from January 1, 1974 to June 30, 1975, established by the Iowa legislature for its political subdivisions to implement a change from a calendar year to a fiscal year beginning July 1, in an action that also changed the levy date for real property taxes from the September session of the county boards to the following March session effective for the fiscal year beginning July 1, 1975, is an acceleration within the meaning of section 461(d)(1). Accrual method taxpayers may not deduct the additional 6 months taxes levied in September 1973, and are entitled to accrue in 1974 only those additional 6 months taxes. Rev. Rul. 70-654 amplified. §§1.164-1, 1.461-1. (Secs. 164, 461; '86 Code.)

Rev. Rul. 77-450, 1977-2 C.B. 175.

**484.146 Real property; life tenant; Massachusetts.** As consideration for her homestead and dower rights, a bank granted the taxpayer a rent-free life estate in property for which she paid the carrying charges and maintenance expenses. The bank retained legal title. *Held*, the taxpayer was entitled to deduct real estate taxes assessed the bank but paid by her. (Sec. 164, '86 Code.)

Lena L. Steinert, 33 T.C. 447, Acq., 1960-2 C.B. 7.

**484.147 Real property; Massachusetts.** An accrual method fiscal year Massachusetts corporation that did not elect to accrue Massachusetts real estate taxes ratably over the period to which they apply but rather accrued them as of January 1 of each year, the date they are assessed and

become liens, must continue to accrue them as of January 1 despite a legislative change in the billing period from a calendar to a fiscal year. Clarified by Rev. Rul. 76-160. §§1.164-1, 1.461-1. (Secs. 164, 461; '86 Code.)

Rev. Rul. 75-157, 1975-1 C.B. 66.

**484.148 Real property; Massachusetts.** An accrual method taxpayer that did not elect to accrue Massachusetts real property taxes ratably over the period to which they apply may deduct the taxes only in the year in which they would have accrued but for a change in the billing period recently enacted by the Massachusetts legislature, which accelerated the accrual event of the real property taxes. Rev. Rul. 75-157 clarified. §§1.164-1, 1.461-1. (Secs. 164, 461; '86 Code.)

Rev. Rul. 76-160, 1976-1 C.B. 129.

**484.149 Real property; Michigan; allocation.** For purposes of allocating real property taxes between the seller and the purchaser of real estate the real property tax year of Michigan and local governmental units thereof is the calendar year. §1.164-6. (Sec. 164, '86 Code.)

Rev. Rul. 67-31, 1967-1 C.B. 49.

**484.150 Real property; Nebraska.** Real estate taxes in Nebraska accrue when they become a charge against and a lien upon the land taxes. G.C.M. 22454 superseded. §§1.164-1, 1.461-1. (Secs. 164, 461; '86 Code.)

Rev. Rul. 71-1, 1971-1 C.B. 59.

**484.151 Real property; New Jersey; homestead and tenants rebate.** The New Jersey homestead tax rebate paid to a qualifying taxpayer is includible in gross income only to the extent it exceeds the property tax actually paid whether or not the taxpayer itemizes deductions. A taxpayer itemizing deductions must reduce the deduction for property tax paid by the amount of the rebate. The New Jersey tenants' property tax rebate is a refund of nondeductible rent and is not includible in gross income. §1.61-1. (Sec. 61, '86 Code.)

Rev. Rul. 78-194, 1978-1 C.B. 24.

**484.152 Real property; New York City.** New York City real estate taxes accrue and are deductible by an accrual method taxpayer as of the date on which, under the charter of New York City, they become due and payable and become liens. G.C.M. 26069 superseded. §§1.164-1, 1.461-1. (Secs. 164, 461; '86 Code.)

Rev. Rul. 70-595, 1970-2 C.B. 41.

**484.153 Real property; Ohio.** Ohio real property taxes accrue on January 1 of each year. §§39.23(c)-1, 39.43-2. (Secs. 23(c), 43, '39 Code; Secs. 164, 461, '86 Code.)

Rev. Rul. 55-152, 1955-1 C.B. 67.

**484.154 Real property; Oklahoma.** Real property taxes imposed by Oklahoma law, as amended in 1965, accrue on November 1 of each year, the lien date. Rev. Rul. 62-107 modified to the extent it holds that ad valorem taxes imposed by Oklahoma on real property accrue on January 1. §§1.164-1, 1.461-1. (Secs. 164, 461; '86 Code.)

Rev. Rul. 72-402, 1972-2 C.B. 97.

**484.155 Real property; Oregon.** Ad valorem taxes on real property accrue on July 1 of each year, at which time liens attach to the property. §39.23(c)-1. (Sec. 23(c), '39 Code; Sec. 164, '86 Code.)

Rev. Rul. 56-392, 1956-2 C.B. 971.

**484.156 Real property; paid by executor.** If, under the laws of a particular jurisdiction, the executor of an estate is not required to pay real estate taxes on property of the decedent, but pays the taxes, he would not be entitled to a deduction for the taxes. However, if the payment was in behalf of a beneficiary of the estate who was or would be entitled to income from the estate, then the deduction would be allowable if the payment

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of the taxes was made in lieu of a direct payment to the beneficiary. §1.691(b)-1. (Sec. 691, '86 Code.)

Rev. Rul. 58-69, 1958-1 C.B. 254.

**484.157 Real property; paid by lessee as additional rent.** An accrual-method lessee who is obligated to pay as additional rent the real estate taxes on the leased property which accrue on January 1, but become due and payable on June 1 of the following year when the tax bills are issued to the lessor, may not accrue the taxes as an additional rent deduction until June 1 of the year they become payable. The accrual-method lessor may deduct the real estate taxes on January 1 and include them in income on June 1 when they become due and payable by the lessee. Clarified and distinguished by Rev. Rul. 76-474. §§1.162-11, 1.446-1, 1.451-1, 1.461-1. (Secs. 162, 446, 451, 461; '86 Code.)

Rev. Rul. 74-244, 1974-1 C.B. 118.

**484.158 Real property; paid by lessee as additional rent.** An accrual-method lessee who is obligated on January 1 to pay as additional rent the real estate taxes on the leased property which accrue on that date, but become payable on June 1 of the following year when the tax bills are issued to the lessor, may accrue and deduct the taxes as additional rent on January 1. Rev. Rul. 74-244 clarified and distinguished. §§1.162-11, 1.461-1. (Secs. 162, 461; '86 Code.)

Rev. Rul. 76-474, 1976-2 C.B. 135.

**484.159 Real property; paid by trustee in bankruptcy.** Taxpayer owned a one-fourth interest in property on which taxes were delinquent. Pursuant to an agreement with the owner, the trustee in bankruptcy for the owner of a one-half interest paid the delinquent taxes from personal funds and was partially reimbursed from proceeds from the sale of the property. Taxpayer paid the trustee the balance due for taxes attributable to his one-fourth interest. *Held*, one-fourth of the total taxes were deductible by the taxpayer, not the trustee. (Sec. 23(c), '39 Code; Sec. 164, '86 Code.)

Eugene Merrick Webb, 30 T.C. 1202, Acq., 1959-2 C.B. 7.

**484.160 Real property; partnership purchase of unimproved land.** A loan servicing and real estate corporation purchased real estate secured by 1st, 2nd, and 3rd trust deeds. The land was sold as a unit to three different partnerships the first of which was responsible for taxes, miscellaneous expenses, and interest; the other two were to pay only interest for 10 years and pay the principal due at the end of that term. The Commissioner argued that the deductions allowable to the partnerships should be limited to amounts paid over by the corporation to 3rd parties. *Held*, the transactions were bona fide and the interest and taxes claimed by the partnerships were properly deducted. (Secs. 164, 165; '86 Code.)

Robert L. Brock, 59 T.C. 732, Acq., 1973-2 C.B. 1.

**484.161 Real property; payment advanced by mortgagor to mortgagee.** A cash-method mortgagor who is required to advance monthly to the mortgagee one-twelfth of the estimated annual real property taxes may deduct the taxes only in the taxable year in which payment of the tax is made by the mortgagee to the proper taxing authorities. §§1.164-1, 1.461-1. (Secs. 164, 461; '86 Code.)

Rev. Rul. 78-103, 1978-1 C.B. 58.

**484.162 Real property; Pennsylvania.** Real property taxes imposed by the city of Pittsburgh and Allegheny County, Pennsylvania, accrue on January 1 of the calendar year for which imposed. Such taxes are deductible by an accrual method taxpayer in the year of the accrual date and are

deductible by a cash method taxpayer when paid §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 70-633, 1970-2 C.B. 43.

**484.163 Real property; Philadelphia, Pennsylvania.** Real property taxes in the city of Philadelphia, Pennsylvania, accrue on January 1 of the tax (calendar) year for which they are assessed. I.T. 2908 superseded. §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 71-61, 1971-1 C.B. 64.

**484.164 Real property; rebates by California.** Situations are set forth relative to the tax treatment of rebates of the California real property tax on personal residences for the fiscal year 1968-69 as a result of the November 5, 1968, amendment of section 1(d), article XIII, to the California Constitution. §§1.61-1, 1.111-1, 1.164-1. (Secs. 61, 111, 164; '86 Code.)

Rev. Rul. 70-86, 1970-1 C.B. 23.

**484.165 Real property; residence subject to term of years.** Where an individual conveys his personal residence to a charitable organization, reserving to himself the exclusive possession and use of the property for a term of years, he may deduct, as taxes, the real property taxes he pays on the property subject to the term of years. §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 67-21, 1967-1 C.B. 45.

**484.166 Real property; sewage disposal system.** Real estate tax increases imposed on all property owners within a municipality to pay off general revenue bonds sold to build a sewage disposal system and to provide for its maintenance are deductible as real estate taxes. §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 74-52, 1974-1 C.B. 50.

**484.167 Real property; sewerage service charge.** A sewerage service charge imposed by a city ordinance on property served exclusively by city water, levied on the amount of water used subject to a minimum charge, and collected by inclusion in the user's quarterly water bill is not deductible as a real property tax but may be deductible as a business expense if otherwise qualified for such treatment. §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 75-346, 1975-2 C.B. 66.

**484.168 Real property; subject to terminable life estate.** A professor who acquired a terminable life estate in a parcel of land and a house from his employer-university, pursuant to an agreement under which the university agreed to furnish the necessary purchase funds secured by a first mortgage on the property and also to repurchase the house for an amount equal to the original mortgage when the estate terminated, may not deduct as interest amounts he is required to pay equal to a percentage of the outstanding principal sum and that have been equal to the fair rental value of the property interests received. However, he may deduct amounts paid as real property taxes imposed directly on him. §§1.163-1, 1.164-1, 1.262-1. (Secs. 163, 164, 262; '86 Code.)

Rev. Rul. 73-531, 1973-2 C.B. 45.

**484.169 Real property; tax sale.** A tax sale of real property by the county for nonpayment of taxes that provides for redemption of the property within two years is not a completed transaction resulting in a gain or loss to the owner, nor a payment of taxes by the owner. I.T. 2711 and G.C.M. 15669 superseded. §§1.164-1, 1.165-1. (Secs. 164, 165; '86 Code.)

Rev. Rul. 70-63, 1970-1 C.B. 36.

**484.170 Real property; tenancy by the entirety; Massachusetts.** Husband and wife sold their home which they owned as tenants by the entirety in a State where such ownership obligated the husband to pay all taxes and entitled him to the sales proceeds. *Held*, taxes paid by the purchasers

and credited against the sales proceeds were deductible by the husband. (Sec. 23(c), '39 Code; Sec. 164, '86 Code.)

Theodore Milgroom, 31 T.C. 1256, Acq., 1959-2 C.B. 6.

**484.171 Real property; tenant tax surcharge.** A real property tax increase imposed on a landlord and, pursuant to a city ordinance, passed on to a tenant as a "tax surcharge" is a rent increase and not deductible by the tenant. §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 75-301, 1975-2 C.B. 66.

**484.172 Real property; two accrual dates; 52-53 week taxable year.** An accrual method taxpayer who elected to use a 52-53 week taxable year and who has not treated such taxable year as consisting of 12 calendar months or elected to ratably accrue real property taxes may deduct the property taxes for 2 years in a 52-53 week taxable year that contained two accrual dates. §§1.441-2, 1.461-1. (Secs. 441, 461; '86 Code.)

Rev. Rul. 76-482, 1976-2 C.B. 127.

**484.173 Real property; United Kingdom "rates" tax.** The "rates" tax levied by United Kingdom local taxing authorities on the occupier of real property, not on the owner or property itself, is not a deductible real property tax. Rev. Ruls. 64-327 and 68-84 distinguished. §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 73-600, 1973-2 C.B. 47.

**484.174 Real property; Wisconsin.** Real property taxes imposed by Wisconsin accrue on the date the tax roll is delivered to the local treasurer with his warrant for collection. G.C.M. 24599 superseded. §§1.164-1, 1.461-1. (Secs. 164, 461; '86 Code.)

Rev. Rul. 71-76, 1971-1 C.B. 66.

**484.175 Realty transfer; Pennsylvania.** The Pennsylvania Realty Transfer Tax paid by a corporation on the purchase of real property used in connection with its business is deductible under section 164 of the Code. §§1.164-1, 1.461-1. (Secs. 164, 461; '86 Code.)

Rev. Rul. 71-590, 1971-2 C.B. 124.

**484.176 Realty transfer; Philadelphia.** Philadelphia Realty Transfer Tax paid by a corporation on the purchase of real property upon delivery of the deed for recording is deductible under section 164. §§1.164-1, 1.461-1. (Secs. 164, 461; '86 Code.)

Rev. Rul. 71-591, 1971-2 C.B. 125.

**484.177 Recreational facility properties; cooperative housing.** A tenant-stockholder in a cooperative housing corporation may not deduct his proportionate share of real estate taxes levied on recreational facility properties owned and maintained by another corporation. §§1.164-1, 1.216-1. (Secs. 164, 216; '86 Code.)

Rev. Rul. 69-76, 1969-1 C.B. 56.

**484.178 Renters tax; New York State.** The New York State renters tax paid by renters pursuant to sections 304 and 926-a of the New York Real Property Tax Law is not a tax on the renter for federal income tax purpose. §1.164-3. (Sec. 164, '86 Code.)

Rev. Rul. 79-180, 1979-1 C.B. 95.

**484.179 Renters tax; Prince George's County, Maryland.** A renters' tax imposed on a tenant by Prince George's County, Maryland, as a percentage of the rent paid for occupancy of a multifamily dwelling unit is not deductible as a real property tax or as a local general sales tax. §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 75-558, 1975-2 C.B. 67.

**484.180 Sales; California.** The sales tax imposed by California on the retailer and paid to the retailer by the consumer is includible in the

retailer's gross income. The tax is deductible by the consumer when paid to the retailer and by the retailer when accrued or paid to the State. §1.164-3. (Sec. 164, '86 Code.)

Rev. Rul. 80-1, 1980-1 C.B. 45.

**484.181 Sales; Connecticut.** The sales tax imposed by Connecticut directly on the purchaser or consumer qualifies as a general sales tax, even though the tax is paid or incurred in connection with the purchase of an asset used in a taxpayer's trade or business. §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 70-634, 1970-2 C.B. 44.

**484.182 Sales; dealers in personal property; installment sales.** State retailers' sales taxes imposed on accrual method dealers in personal property who sell on the installment method are not part of cost of goods sold for purposes of computing the gross profit realized under section 453(a). The taxes are deductible under section 164 in the year of sale in a state in which the total tax is due and payable at the time of the initial sale, and are deductible proportionally as installment payments are received in a state in which taxes are not due until payments are received. Rev. Ruls. 60-53 and 68-163 amplified. §§1.164-1, 1.453-1, 1.461-1. (Secs. 164, 453, 461; '86 Code.)

Rev. Rul. 79-196, 1979-1 C.B. 181.

**484.183 Sales; delinquent; insolvent corporation; paid by corporate officers.** Two insolvent corporations defaulted on Minnesota sales taxes. The responsible corporate officers paid the 100 percent penalty and the state sales and withholding taxes and interests on each. Under state law, the corporate officers were the retailers, and the sales tax was imposed on the retailers. Therefore, the state sales tax was deductible by the corporate officers. (Sec. 164, '86 Code.)

James M. Arrigoni, 73 T.C. 792, Nonacc., 1980-2 C.B. 2.

**484.184 Sales; North Dakota.** The North Dakota sales tax is a tax imposed on the consumer, deductible by him; if paid with respect to business property and no election to capitalize is made, it is deductible in arriving at adjusted gross income. (Secs. 62, 164; '86 Code.)

Rev. Rul. 56-611, 1956-2 C.B. 131.

**484.185 Sales; South Dakota.** The South Dakota Retail Occupational Sales Tax on retailers, being a general sales tax which is required to be separately stated, is deductible by consumers for the taxable year when paid or accrued by a consumer otherwise than in connection with his trade or business. I.T. 2961 superseded. §1.164-5. (Sec. 164, '86 Code.)

Rev. Rul. 66-344, 1966-2 C.B. 53.

**484.186 Sales and use; Alabama.** The gross receipts (sales) tax and the use tax imposed by the State of Alabama under Articles 10 and 11 of the Code of Alabama, are deductible by the purchaser or consumer who pays the tax. Such taxes may not be capitalized except as provided in section 266 of the Code. §§1.164-3, 1.266-1. (Secs. 164, 266; '86 Code.)

Rev. Rul. 69-61, 1969-1 C.B. 57.

**484.187 Sales and use; Georgia.** The tax imposed on purchasers and consumers by the Georgia Retailers' and Consumers' Sales and Use Tax Act is a general sales tax deductible by the purchaser under section 164(a)(4). Taxes collected by retailers or dealers as agents for the State are not includable in their gross income, but they must include the portion of such taxes retained by them as collection fees. Amounts paid to the State by retailers or dealers in lieu of collecting the tax are not deductible under section 164(a), but may be deductible as business expenses under section 162. I.T. 4058, Rev. Rul. 59-65, and Rev. Rul.

62-76 superseded. §1.164-3. (Sec. 164, '86 Code.)

Rev. Rul. 73-465, 1973-2 C.B. 49.

**484.188 Sales and use; Hawaii.** The privilege tax imposed by Hawaii on certain retailing transactions constitutes a state or local sales tax and is deductible by the consumer and retailer. Such tax collected by a retailer from a purchaser must be included in the retailer's gross income. §§1.62-1, 1.164-1. (Secs. 62, 164; '86 Code.)

Rev. Rul. 58-564, 1958-2 C.B. 79.

**484.189 Sales and use; Illinois.** The use tax imposed by Illinois on the use of tangible personal property purchased at retail is deductible by the consumer. (Sec. 164, '86 Code.)

Rev. Rul. 57-433, 1957-2 C.B. 133.

**484.190 Sales and use; Kentucky.** The sales tax imposed by Kentucky constitutes a "retail sales" tax. The tax collected by a vendor from a purchaser is included in the vendor's income and is deductible by him. The purchaser may deduct the tax paid otherwise than in connection with his trade or business. If the purchaser is engaged in business, the tax paid is deductible as a business expense unless chargeable to capital account. The use tax imposed by Kentucky is deductible by the purchaser. §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 61-182, 1961-2 C.B. 44.

**484.191 Sales and use; Louisiana.** The sales tax imposed by Louisiana paid with respect to property purchased for use in the purchaser's trade or business is deductible by the purchaser, under section 164(a). Such tax may not be capitalized except as provided in section 266 of the Code. (Secs. 62, 164, 266; '86 Code.)

Rev. Rul. 55-267, 1955-1 C.B. 23.

**484.192 Sales and use; Massachusetts.** The retail sales tax and the compensating use tax imposed by Massachusetts qualify as general sales taxes and are deductible by the purchaser or consumer who pays the tax; however, where paid or accrued by an individual other than in connection with his trade or business, the taxes are deductible only if the standard deduction or optional tax table is not used. §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 66-378, 1966-2 C.B. 53.

**484.193 Sales and use; Minnesota.** The proper tax treatment of Minnesota sales and use taxes by both purchasers and vendors is discussed. Rev. Rul. 70-89 superseded. §§1.62-1, 1.162-1, 1.164-1, 1.263(a)-1, 1.266-1, 1.446-1, 301.7805-1. (Secs. 62, 162, 164, 263, 266, 446, 7805; '86 Code.)

Rev. Rul. 77-465, 1977-2 C.B. 61.

**484.194 Sales and use; Nebraska.** The sales tax and the use tax imposed by Nebraska, effective June 1, 1967, are deductible. If such tax is paid with respect to property purchased for use in the consumer's trade or business, other than a trade or business consisting of the performance of services as an employee, the consumer may deduct the tax in arriving at adjusted gross income, provided he does not elect to capitalize such amount. §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 67-458, 1967-2 C.B. 90.

**484.195 Sales and use; New Jersey.** The New Jersey retail sales tax and the compensating use tax are deductible by the purchaser or consumer who pays the tax. §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 67-86, 1967-1 C.B. 46.

**484.196 Sales and use; New York State and City.** The New York State sales and use taxes imposed by the State, the sales and use taxes authorized by the State to be imposed by cities and counties, and the temporary sales and use taxes imposed by the State only in New York City are deductible unless capitalized. The temporary tax

on the parking, garaging, and storing of motor vehicles imposed by the State only in New York City is not deductible. Rev. Rul. 65-242 superseded. §§1.62-1, 1.164-1, 1.266-1. (Secs. 62, 164, 266; '86 Code.)

Rev. Rul. 76-87, 1976-1 C.B. 49.

**484.197 Sales and use; North Carolina.** The sales tax imposed by North Carolina constitutes a retail sales tax includable in the gross income of the vendor, and deductible by him and by the purchaser; the North Carolina use tax is deductible by the purchaser, but not by the vendor, nor includable in his gross income. §1.164-1. (Secs. 164, 266; '86 Code.)

Rev. Rul. 58-292, 1958-1 C.B. 106.

**484.198 Sales and use; Pennsylvania.** The tax imposed upon the sale at retail or the use of tangible personal property within Pennsylvania is deductible by the purchaser or the person who pays the tax and uses such property. §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 61-24, 1961-1 C.B. 37.

**484.199 Sales and use; Rhode Island.** The sales and use taxes imposed by Rhode Island are deductible by the purchaser or consumer. If the tax is attributable to a trade or business, it is deductible from gross income or may be treated as a capital item if the cost of the property is properly capitalizable. I.T. 3909 modified. §§1.62-1, 1.164-1, 1.266-1. (Secs. 62, 164, 266; '86 Code.)

Rev. Rul. 64-61, 1964-1 (Part 1) C.B. 95.

**484.200 Sales and use; Vermont.** The sales and use taxes imposed by Article 32, Chapter 226, of the Vermont Statutes Annotated, qualify as general sales and compensating use taxes and are deductible. §§1.164-3, 1.266-1. (Secs. 164, 266; '86 Code.)

Rev. Rul. 70-39, 1970-1 C.B. 35.

**484.201 Sales and use; Virginia.** The general sales and use tax and the motor vehicle sales and use tax imposed by Virginia are deductible. §1.164-3. (Sec. 164, '86 Code.)

Rev. Rul. 67-13, 1967-1 C.B. 46.

**484.202 Sales and use; Wisconsin.** The selective retail sales tax imposed by Wisconsin on the privilege of selling, leasing or renting certain tangible property is deductible by the vendor. If the tax is collected from the purchaser, it is includable in the gross income of the vendor and deductible by the purchaser unless paid with respect to the purchase of a capital asset, then the tax must be capitalized. The use tax on tangible property and services is deductible by the purchaser; it is not includable in the gross income of the vendor nor is it deductible by him. §§1.62-1, 1.164-1. (Secs. 62, 164; '86 Code.)

Rev. Rul. 62-123, 1962-2 C.B. 65.

**484.203 Sales tax and customs duties; Canadian.** A domestic corporation leasing railroad cars used in intra-Canadian service may deduct the Canadian national sales tax and certain customs duties incurred in the operation of such cars. §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 66-213, 1966-2 C.B. 51.

**484.204 Sales tax on charges for meals; Massachusetts.** The tax imposed on charges for meals by Massachusetts does not qualify as a general sales tax and is not deductible. §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 65-189, 1965-2 C.B. 45.

**484.205 School and disaster relief taxes; Alaska.** The school tax and the disaster relief tax imposed by Alaska upon individuals are deductible. §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 68-386, 1968-2 C.B. 79.

**484.206 Social security tax; employer's portion; household and dependent care.** The tax

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imposed on an employer by section 3111 of the FICA, in connection with wages that are deductible under section 214 as amounts paid for household and dependent care services, is an integral part of the cost of the services and is deductible under section 214, even though it is specifically not deductible under section 1.164-2 of the regulations. §1.164-2. (Secs. 164, 214; '86 Code.)

Rev. Rul. 74-176, 1974-1 C.B. 68.

**484.207 Social security tax; Germany.** No deduction or credit is allowable for social security taxes paid or accrued to the Federal Republic of Germany on or after December 1, 1979. §§1.164-1, 1.901-1. (Sec. 164, 901; '86 Code.)

Rev. Rul. 80-94, 1980-1 C.B. 170.

**484.208 Social security tax; Italy.** No deduction or credit is allowed under section 164(a) or 901(b) for social security taxes paid or accrued to Italy on or after November 1, 1978. §§1.164-1, 1.901-1. (Secs. 164, 901; '86 Code.)

Rev. Rul. 79-291, 1979-2 C.B. 273.

**484.209 Social security tax; Switzerland.** No deduction or credit is allowable for social security taxes paid or accrued to Switzerland on or after November 1, 1980. §§1.164-1, 1.901-1. (Secs. 164, 901; '86 Code.)

Rev. Rul. 81-39, 1981-1 C.B. 396.

**484.210 Social security tax on nurse's wages.**

A taxpayer, whose wife requires the constant attention of a nurse, may not deduct, as taxes, the social security taxes he pays with respect to her wages. He may, however, deduct the amounts paid as a part of medical expenses. (Secs. 164, 213; '86 Code.)

Rev. Rul. 57-489, 1957-2 C.B. 207.

**484.211 Special Refundable Tax; Canada.**

The Special Refundable Tax on certain corporations and trusts imposed by Canada is neither allowable as a foreign tax credit nor deductible in computing taxable income. Refunds of the tax are not includible in gross income, but interest received thereon must be included. §§1.61-1, 1.164-1, 1.901-1. (Secs. 61, 164, 901; '86 Code.)

Rev. Rul. 67-187, 1967-1 C.B. 185.

**484.212 State and local income; nonresident aliens.**

State and local income taxes imposed on a nonresident alien individual on earnings from the performance of personal services within the U.S. and withheld by his U.S. employer are deductible on Schedule A, Form 1040NR in computing taxable income. §§1.864-1, 1.871-1, 1.873-1. (Secs. 864, 871, 873; '86 Code.)

Rev. Rul. 73-402, 1973-2 C.B. 227.

**484.213 State excise tax; completed contract method.**

A taxpayer who uses the completed contract method of reporting income from long-term contracts and pays an excise tax for the privilege of engaging in business in the state based on the gross billings of the business, including progress billings on long-term contracts, must defer deduction of the tax, to the extent allocable to billings on the long-term contracts, until the year of completion of the long-term contracts. §§1.164-1, 1.451-3, 1.461-1. (Secs. 164, 451, 461; '86 Code.)

Rev. Rul. 78-211, 1978-1 C.B. 138.

**484.214 State excise taxes; increase due to adjustment of income.**

Uncontested adjustments made by the Commissioner to an accrual basis taxpayer's net income for the taxable year resulted in an increase in the income upon which State corporation excise tax was based. *Held*, the additional excise tax was not in dispute and was properly accruable in the taxable year. (Sec. 23(c), '39 Code; Sec. 164, '86 Code.)

Colt's Manufacturing Co., 35 T.C. 78, Acq., 1961-2 C.B. 4.

**484.215 State excise taxes; shareholders of liquidating corporation.** A cash method taxpayer made liquidating distributions to its shareholders in excess of assets retained to pay a deductible State excise tax, and assessed the shareholders who sent checks payable to the State. *Held*, the obligation ran from the shareholders to the taxpayer and the taxpayer is entitled to the deduction. (Sec. 164, '86 Code.)

Royal Oaks Apartments, Inc., 43 T.C. 243, Acq., 1965-1 C.B. 4.

**484.216 State franchise tax; unbilled sales.** A public utility using the accrual method of accounting may not deduct as a state franchise tax amounts attributable to unbilled sales that are neither included in, nor required to be included in, gross sales for purposes of computing and reporting the state franchise tax. §§1.164-1, 1.461-1. (Secs. 164, 461; '86 code.)

Rev. Rul. 81-173, 1981-1 C.B. 314.

**484.217 State income tax; advance payment.**

A cash basis taxpayer may not deduct an estimated state income tax payment when on the date of payment the taxpayer could not reasonably determine that there is an additional state income tax liability. §§1.164-1, 1.461-1. (Secs. 164, 461; '86 Code.)

Rev. Rul. 82-208, 1982-2 C.B. 58.

**484.218 State income tax; allocable to exempt cost-of-living allowance.** A civilian employee of the U.S. Government stationed in Hawaii may not deduct the portion of the State's income tax that is allocable to a cost-of-living allowance exempt from Federal tax. §§1.164-1, 1.265-1. (Secs. 164, 265; '86 Code.)

Rev. Rul. 74-140, 1974-1 C.B. 50.

**484.219 State income tax; corporate liquidation.** Gain realized by a corporation from the sale or exchange of property pursuant to a plan of complete liquidation, and not recognized for Federal tax purposes by virtue of sections 332 and 337, is not wholly exempt from tax under section 265; therefore, state income tax paid on such gain is a deductible expense. *Bertha Gassie McDonald and Universal Leaf Tobacco Co.* decisions followed.

Rev. Rul. 60-236 revoked. §§1.164-1, 1.265-1, 1.337-1. (Secs. 164, 265, 337; '86 Code.)

Rev. Rul. 63-233, 1963-2 C.B. 113.

**484.220 State income tax; estates and trusts.**

In the case of an estate or trust, only that portion of its state income taxes which is allocable to exempt income, other than exempt interest income, is disallowed as a deduction under section 265. That portion of such taxes attributable to exempt interest income and taxable income is deductible under section 164. §§1.164-1, 1.265-1. (Secs. 164, 265; '86 Code.)

Rev. Rul. 61-86, 1961-1 C.B. 41.

**484.221 State income tax; estates and trusts.**

The State income tax paid by an irrevocable inter vivos trust, which distributes all of its net income currently, on capital gains retained by the trust in accordance with the terms of its governing instrument for the benefit of noncharitable remaindermen, is allowable as a deduction in arriving at the trust's taxable income and is deducted in arriving at its distributable net income. Further, the deduction for the distribution to the beneficiaries is limited to the trust's distributable net income for the taxable year. §§1.643(a)-0, 1.651(a)-1, 1.652(b)-3. (Secs. 643, 651, 652; '86 Code.)

Rev. Rul. 74-257, 1974-1 C.B. 153.

**484.222 State income tax; husband and wife; joint and separate returns.**

The deductibility, for Federal income tax purposes, of State income taxes paid by married taxpayers both using the cash receipts and disbursements method of accounting and itemizing their deductions, who file (1) separate State and Federal income tax returns, (2) separate State returns but a joint Fed-

eral return, or (3) a joint State return but separate Federal returns, is discussed. I.T. 2741 superseded. Clarified by Rev. Rul. 75-47. §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 74-486, 1974-2 C.B. 56.

**484.223 State income tax; husband and wife; joint returns.** State income taxes imposed upon a married taxpayer and paid during the taxable year are deductible on a joint Federal return regardless of which spouse actually paid the taxes. Rev. Rul. 74-486 clarified. §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 75-47, 1975-1 C.B. 62.

**484.224 State income tax; husband and wife; separate returns.** A husband and wife filing a joint State income tax return on which they are jointly and severally liable for the tax may deduct on separate Federal tax returns the portion of such tax each actually paid. G.C.M. 17570 superseded. §1.164-1. Sec. 164, '86 Code.)

Rev. Rul. 72-79, 1972-1 C.B. 51.

**484.225 State income tax; mandatory wage assessments.** Amounts withheld from the wages of employees for contribution to the West Virginia Unemployment Compensation Trust Fund qualify as state "income taxes" and, therefore, are deductible by the employees under section 164(a)(3) of the Code. §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 89-16, 1989-1 C.B. 76.

**484.226 Supplemental workmen's compensation; Washington.** Contributions required to be made by employers and employees to the Washington State supplemental workmen's compensation fund providing additional benefits for total disability or death resulting from occupational accident or illness are deductible as taxes. §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 75-444, 1975-2 C.B. 66.

**484.227 Tax equivalency payments; cooperative housing association.** Tax equivalency payments made to the New York City Educational Construction Fund by a cooperative housing corporation are real estate taxes deductible by the corporation and each tenant-shareholder may deduct the amount representing his proportionate share. §§1.164-3, 1.216-1. (Secs. 164, 216; '86 Code.)

Rev. Rul. 71-49, 1971-1 C.B. 103.

**484.228 Tax on financial institutions; Oklahoma.** The tax imposed by Oklahoma upon national bank associations, banks, trust companies, and credit unions, in lieu of an income tax, accrues on the first day after the close of the taxable year to which the tax applies. I.T. 3136 superseded. §§1.164-1, 1.461-1. (Secs. 164, 461; '86 Code.)

Rev. Rul. 70-650, 1970-2 C.B. 46.

**484.229 Transfer; Baltimore County, Maryland.** The amount levied and imposed by Baltimore County, Maryland, on the transfer of an estate constitutes a tax deductible by the party to the transaction who pays such tax. Modified by Rev. Rul. 65-313. §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 62-149, 1962-2 C.B. 66.

**484.230 Transfer; state and local.** Treatment of transfer taxes imposed by state and local governments for taxable years beginning after 1963. Rev. Rul. 62-149 modified. §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 65-313, 1965-2 C.B. 47.

**484.231 Transfer; State and local.** State and local transfer taxes paid by a corporation on the sale of a building used in the operation of its business are deductible as taxes. §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 69-456, 1969-2 C.B. 30.

**484.232 Transfer; Vermont; land gains tax.** The tax imposed by sections 10001 through

10010, title 32, of the Vermont Statutes Annotated (Supp. 1979), on gain from the sale or exchange of certain land in Vermont is a transfer tax and is deductible under section 164(a) of the Code only to the extent that it is paid or accrued within the taxable year in carrying on a trade or business or an activity described in section 212. §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 80-121, 1980-1 C.B. 43.

**484.233 Uncontested increase; accumulated taxable income.** The filing of a Federal return will no longer be considered a "contest" and, therefore, in the absence of an overt act by an accrual method taxpayer, an increase in tax liability is deductible for the taxable year under examination in computing accumulated taxable income subject to the accumulated earnings tax. §1.535-2. (Sec. 535, '86 Code.)

Rev. Rul. 68-632, 1968-2 C.B. 253.

**484.234 Uncontested increase; additional state taxes.** The filing of a state return will no longer be considered a "contest" and, therefore, in the absence of an overt act by an accrual method taxpayer, additional state taxes assessed for prior years relate back to the year for which they were originally imposed. Modified by Rev. Rul. 69-336. §§1.461-1, 301.7805-1. (Secs. 461, 7805; '86 Code.)

Rev. Rul. 68-631, 1968-2 C.B. 198.

**484.235 Uncontested increase; additional state taxes; change of accounting method.** The publication of Revenue Ruling 68-431, relating to the taxable year of deduction for additional state taxes where no contest exists, does not constitute the granting of advance permission of the Commissioner for a change in method of accounting. Thus, a taxpayer who has consistently deducted additional state taxes for the taxable year during which they were finally determined or paid must continue such treatment in the absence of permission of the Commissioner to change his accounting method. Rev. Rul. 68-631 modified. §§1.446-1, 1.461-1. (Secs. 446, 461; '86 Code.)

Rev. Rul. 69-336, 1969-1 C.B. 142.

**484.236 Unemployment compensation; Alabama.** Contributions made by employers and employees to the Alabama unemployment compensation fund, providing indemnity coverage for the loss of wages due to unemployment resulting from business contingencies, are deductible as taxes. I.T. 3111 superseded. §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 75-156, 1975-1 C.B. 66.

**484.237 Unemployment compensation; disability benefits fund and private plans; New Jersey.** Contributions made by employers and employees to the New Jersey unemployment compensation fund and to the nonoccupational disability benefit fund are deductible as taxes, and contributions made by employers to private plans for the payment of nonoccupational disability benefits are deductible as business expenses. Amounts withheld from wages of employees for contributions to private plans are nondeductible personal expenses and are not deductible as taxes, business expenses, or medical expenses. Rev. Rul. 75-48 superseded. §§1.162-1, 1.164-1, 1.213-1, 1.262-1. (Secs. 161, 164, 213, 262; '86 Code.)

Rev. Rul. 81-193, 1981-2 C.B. 52.

**484.238 Unemployment compensation; disability benefits fund and voluntary plans; California.** Contributions made by employers to the California unemployment compensation fund and by employers and employees to the nonoccupational disability benefit fund are deductible as taxes. Contributions made by employers to voluntary plans for payment of nonoccupational disability benefits are deductible as business expenses. Amounts withheld from the wages of employees for contributions to voluntary plans are not

deductible as taxes, business expenses or as medical expenses, but are nondeductible personal expenses. Rev. Rul. 75-149 superseded. §§1.162-1, 1.164-1, 1.213-1, 1.262-1. (Secs. 162, 164, 213, 262; '86 Code.)

Rev. Rul. 81-194, 1981-2 C.B. 54.

**484.239 Unemployment disability benefits fund; Rhode Island.** Contributions made by employers and employees to the Rhode Island temporary disability benefit fund deductible under section 164. Rev. Rul. 75-148 superseded. §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 81-191, 1981-2 C.B. 49.

**484.240 Use tax; artificial gas; St. Louis.** The tax imposed by the City of St. Louis on the sale or distribution of gas for heating, lighting, power, and refrigeration at a rate which does not correspond to the City's general sales tax is not deductible by a nonbusiness consumer under section 164(a)(4) but is deductible by a business consumer under section 162(a). Rev. Rul. 64-55 superseded. §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 74-335, 1974-2 C.B. 339.

**484.241 Use tax; North Dakota.** The use tax imposed by North Dakota is a tax imposed upon the consumer and user and is deductible as a general sales tax. If such tax is paid with respect to property purchased for use in the purchaser's trade or business, other than a trade or business consisting of the performance of services as an employee, the consumer may deduct it as compensating use tax in arriving at adjusted gross income, provided he does not elect to capitalize such amount. §1.164-3. (Sec. 164, '86 Code.)

Rev. Rul. 67-63, 1967-1 C.B. 47.

**484.242 Use tax; San Bernardino, California.** A utility use tax imposed by San Bernardino, California, on telephone communications services, electrical energy, and gas and water that is delivered through mains or pipes, is not deductible as a general sales tax. §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 69-532, 1969-2 C.B. 30.

**484.243 Vessel reconstruction; financing arrangement between unrelated corporations.** A ship sale and leaseback arrangement between unrelated corporations to finance the reconstruction of a vessel with the beneficial ownership remaining in the seller and legal title held by the purchaser as security for the lender constitutes a financial arrangement for the ship's reconstruction and the seller remains the owner for Federal income tax purposes. The seller is entitled to deductions for property taxes. §§1.38-1, 1.61-1, 1.162-1, 1.163-1, 1.164-1, 1.167(a)-1. (Secs. 38, 61, 162, 163, 164, 167; '86 Code.)

Rev. Rul. 72-543, 1972-2 C.B. 87.

**484.244 Wealth tax; Republic of Ireland.** The Irish wealth tax levied on a U.S. citizen residing in the Republic of Ireland is deductible to the extent the tax is attributable to property, including U.S. state and local government obligations, held for the production of income, either directly by the taxpayer or in trust for the taxpayer's benefit. §1.164-1. (Sec. 164, '86 Code.)

Rev. Rul. 78-81, 1978-1 C.B. 57.

**484.245 Windfall profit tax withheld.** A producer of crude oil who uses the cash method of accounting may deduct windfall profit tax withheld from payments received from crude oil purchasers for the year in which the tax is withheld. Clarified by Rev. Rul. 82-174. §§1.641-1, 1.461-1, 150.4995-1. (Secs. 164, 461, 4995; '86 Code.)

Rev. Rul. 81-99, 1981-1 C.B. 312.

**484.246 Windfall profit tax withheld.** A crude oil producer who uses the accrual method of accounting may deduct the amount of windfall

profit tax withheld, paid, or otherwise accrued during the year, reduced by the sum of the amount specified in section 280D for tax years 1980 and 1981, and the amount of any refund or credit of windfall profit tax paid for the taxable year, if the taxpayer's right to the amount is fixed and ascertainable by the close of the taxable year. Rev. Rul. 81-99 clarified. §§1.164-1, 1.461-1, 150.4986-1, 150.4995-1. (Secs. 164, 280D, 461, 4986, 4995, 6429; '86 Code.)

Rev. Rul. 82-174, 1982-2 C.B. 99.

**484.247 Windfall profit tax withheld; recovered.** A creditor refund of windfall profit tax that was used as a tax deduction in a previous year must be included as income in the current year to the extent a tax benefit was received as a result of the deduction. The amount of the credit or refund is considered income for purposes of the self-employment tax under section 1402(a) if the oil producer has a working interest in an oil lease. §§1.61-1, 1.111-1, 1.164-1, 1.1402(a)-1. (Secs. 61, 111, 164, 280D, 1402, 4986, 6429; '86 Code.)

Rev. Rul. 83-102, 1983-2 C.B. 198.

## Foreign countries (See: Foreign tax credit)