



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

OFFICE OF THE CHIEF COUNSEL

July 29, 2020

Number: **2020-0010**
Release Date: 9/25/2020

CONEX-104914-20

UIL: 164.01-00, 216.03-00

The Honorable Jerrold Nadler
Member, U.S. House of Representatives
201 Varick Street, Suite 669
New York, NY 10014

Dear Representative Nadler:

I am responding to your email dated February 14, 2020. You asked us whether the limitation for an individual's deduction of state and local taxes under section 164 of the Internal Revenue Code (the SALT limitation) applies to the deduction under section 216 for a tenant-stockholder's proportionate share of real estate taxes paid or incurred by a cooperative housing corporation.

Section 164 generally allows an itemized deduction for certain taxes, including state and local real property tax, state and local personal property tax, and state and local income tax or state and local sales tax, for the taxable year in which paid. Section 164(b)(6), which was added by the Tax Cut and Jobs Act of 2017, limits an individual's deduction for the taxable year to an aggregate amount of the state and local taxes taken into account during the taxable year to \$10,000 (or \$5,000 in the case of a married individual filing a separate return) for taxable years beginning after December 31, 2017, and before January 1, 2026.

Section 216(a) allows a deduction by a tenant-stockholder for the tenant-stockholder's proportionate share of the real estate taxes allowable as a deduction to the cooperative housing corporation under section 164. The legislative history to section 216 states that "[t]he general purpose of this provision is to place the tenant stockholders of a cooperative apartment in the same position as the owner of a dwelling house so far as deductions for interest and taxes is concerned." S. Rep. No. 1621, 77th Cong., 2d Sess. 51 (1942). Further, regarding the SALT limitation, the Joint Committee on Taxation states that "[i]t is intended that the limitation apply to the deduction for amounts paid or

accrued to a cooperative housing corporation by a tenant-stockholder under section 216(a)(1) (relating to real estate taxes) in the same manner as the limitation applies to real estate taxes under section 164.” Joint Committee on Taxation Staff, General Explanation of Public Law 115-97, JCS-1-18 p. 68 (December 2018).

The SALT limitation under section 164(b)(6) applies to the deduction taken into account by a tenant-stockholder under section 216 for the tenant-stockholder’s proportionate share of the real estate taxes paid or incurred by a cooperative housing corporation.

I hope this information is helpful. If you have any questions, please contact _____ at _____

Sincerely,

Bridget E. Tombul
Chief, Branch 2
Income Tax & Accounting Division

cc: