

IRC Section 216(b)(3)(B)

Election To Allocate Real Estate Taxes And/Or Interest Expense To Tenant-Stockholder

Overview

Generally, tenant-stockholders are permitted a deduction for amounts paid or accrued to a cooperative housing corporation to the extent that such amounts represent the tenant-stockholder's proportionate share of real estate taxes and allowable interest. The tenant-stockholders proportionate share of real estate taxes and allowable interest is determined by multiplying his percentage ownership in the corporation by the total real estate taxes and allowable interest.

However, §216(b)(3)(B) permits a cooperative housing corporation to elect to allocate to each tenant-stockholder a portion of the real estate taxes or interest (or both) that reasonably reflects the cost to the corporation of the taxes or interest attributable to each tenant-stockholder's dwelling unit (and the unit's share of the common areas).

The election is effective only if, by January 31 of the year following the first calendar year that includes any period to which the election applies, the cooperative housing corporation furnishes to each person that is a tenant-stockholder during that period a written statement showing the amount of real estate taxes or interest (or both) allocated to the tenant-stockholder with respect to the tenant-stockholder's dwelling unit or units and share of common areas for that period. This election is revocable only with consent of the IRS and is binding on all tenant-stockholders.

When to File

The election is made by attaching a statement to the corporation's timely filed tax return for the first taxable year for which the election is to be effective. The election must be made no later than the due date, including extensions, of the taxpayer's return for such year.

Where to File

The election statement is attached to the taxpayer's income tax return filed within the required time periods and mailed to the designated Internal Revenue Service Center.

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1. Code Section: 216
2. Topic: Deduction Items
3. Return Type: 1120

Authorities

IRC § 216(b)(3)(B)(ii); Reg. §1.216-1(d)(2)(ii)