



## Tax Reduction Letter

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### Reg. Section 1.162-11

#### Rentals.

- (a) Acquisition of a leasehold. If a leasehold is acquired for business purposes for a specified sum, the purchaser may take as a deduction in his return an aliquot part of such sum each year, based on the number of years the lease has to run. Taxes paid by a tenant to or for a landlord for business property are additional rent and constitute a deductible item to the tenant and taxable income to the landlord, the amount of the tax being deductible by the latter. For disallowance of deduction for income taxes paid by a lessee corporation pursuant to a lease arrangement with the lessor corporation, see section 110 and the regulations thereunder. See section 178 and the regulations thereunder for rules governing the effect to be given renewal options in amortizing the costs incurred after July 28, 1958 of acquiring a lease. See § 1.197-2 for rules governing the amortization of costs to acquire limited interests in section 197 intangibles.
- (b) [Reserved]. For further guidance, see § 1.162-11T(b).
- (c) [Reserved]. For further guidance, see § 1.162-11T(c).
- (d) [Reserved]. For further guidance, see § 1.162-11T(d).