



## Tax Reduction Letter

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### Revenue Ruling 70-63

Section 165, Losses

A "tax sale" of property that provides for redemption within two years is neither a completed transaction resulting in gain or loss to the owner nor a payment of taxes by the owner; I.T. 2711 and G.C.M. 15669, superseded.

A taxpayer's delinquency in payment of his county real estate taxes resulted in the "tax sale" of the property by the county. Under the laws of that jurisdiction, the delinquent taxpayer is entitled to redeem the "tax title" within two years from the date of the tax sale.

Held, the "tax sale" under these circumstances is not a closed and completed transaction that gives rise to a gain or loss inasmuch as there is no identifiable taxable event before the expiration of the redemption period. Held further, the tax sale of the property by the county is not a "payment" of taxes by the owner of the realty inasmuch as the property involved was "sold" by the county for the nonpayment of taxes. There being no payment of taxes on the property by means of the tax sale, a deduction for taxes paid is not allowable.

I.T. 2711, C.B. XII-2, 51 (1933), and G.C.M. 15669, C.B. XIV-2, 154 (1935), are hereby superseded since the positions set forth therein are updated and restated under the current statute and regulations in this Revenue Ruling.