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KPMG report: Section 467 can have outsized impact on REITs

Commercial landlords, particularly in the office and industrial sectors, enter into tenant leases that, although plain vanilla in many respects, are subject to the rent accrual rules of section 467. Landlords may fail to apply these rules correctly (or even realize that they apply) due to their complexity, their reputation as being “anti-abuse” rules, and the often counterintuitive results they produce.

Noncompliance with section 467 can result, for a landlord, in income being accrued in the “wrong” tax year. In the case of a taxpayer that is not a real estate investment trust (REIT), this type of timing difference may have a relatively minor impact; in some circumstances, the application of section 467 can even have the effect of deferring the recognition of a rent payment into a subsequent year and, so, be landlord friendly. A REIT may not necessarily be able to absorb such a shift, particularly if it is unexpected or, worse, identified after the relevant year or years have passed.

Read an [August 2017 report](#) [PDF 210 KB] prepared by KPMG LLP: *What’s News in Tax: Section 467 Can Have an Outsized Impact on REITs*

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