



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

September 29, 2023

Number: **2023-0011**
Release Date: 11/17/2023

CONEX-116940-23

UIL: 61.00-00

The Honorable Dean Phillips
Member, U.S. House of Representatives
13911 Ridgedale Drive, Suite 200
Minnetonka, MN 55305

Attention:

Dear Representative Phillips:

Thank you for your August 25, 2023, letter about the replacement of lead service lines owned by private property owners in Minnesota.

In your letter, you noted that Minnesota recently approved \$240 million in state funding to supplement federal funding to completely cover the cost of lead service line replacement for private property owners. You asked if this funding is included in the gross income of private property owners and asked when they can expect a status update on the guidance.

The Department of Treasury and the IRS appreciate the need for clear and timely guidance regarding the possible Federal income tax implications of these subsidies on individual homeowners. We continue to gather information and are considering all pertinent facts and related issues, which vary by jurisdiction. We are working expeditiously to address this issue as soon as is practicable.

We sincerely appreciate your outreach on this important issue. If you have questions, please contact

, at or , and
, at .

Sincerely,

Amy J. Pfalzgraf, Branch 5 Chief
Income Tax & Accounting