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**From:**

**Sent:** Thursday, June 18, 2009 9:40:40 AM

**To:**

**Cc:**

**Subject:** RE: ARRA Funds

I asked for clarification. This is what came back:

We have consistently held that payments made under legislatively provided social benefit programs for the promotion of the general welfare, **that do not represent compensation for services**, are not includible in a recipient's gross income. The principal question is whether the payments represent 'payments for services' where work activities are required. Numerous Revenue Rulings, including the cited Revenue Ruling 75-246, clearly illustrate that not all payments made in connection with the performance of work activities represent payment for services; making the determination is a factual matter. Under the rationale of Revenue Ruling 71-425, in cases where services are performed, a determination needs to be made as to whether the payments are in lieu of welfare payments that these individuals would otherwise be eligible to receive because they meet need-based criteria (they are low-income, disabled, economically disadvantaged, unemployed, underemployed etc.).

I'm not aware that we have addressed any particular AARA program. However, if a particular state asks us to address their program, or if [redacted] wants advice on a specific case, [redacted] will be happy to address it if there is enough factual background information provided to make a determination. Hope this is helpful.