Benefit payments made to individuals undergoing training or retraining under either the Area Redevelopment Act or the Manpower Development and Training Act of 1962 are not includible in the gross incomes of the recipients.

Advice has been requested whether benefit payments received by individuals undergoing training or retraining under the Area Redevelopment Act, 75 Stat. 47-63, or the Manpower Development and Training Act of 1962, 76 Stat. 23-33, are includible in the gross incomes of the recipients.

The Area Redevelopment Act provides for certain types of Federal assistance to areas of substantial and persistent unemployment and underemployment, which have been designated redevelopment areas, for the purpose of aiding such areas in financing their redevelopment.

The purpose of the Manpower Development and Training Act of 1962 is to deal with the problems of unemployment resulting from technological developments and structural changes in the economy.

Both of these Acts authorize the Secretary of Labor to enter into agreements under which payments are made to the several states for the purpose of enabling them, as agents of the United States, to make weekly payments to individuals selected for training or retraining under one of the Acts. Payments made under either of the Acts are equal to the amount of the average weekly unemployment compensation payment payable for a week of total unemployment by the state making such payment. Both Acts also provide that no retraining payment may be made to any person for any week for which he has received, or is seeking, unemployment compensation under any Federal or state unemployment compensation law; however, these provisions do not prevent a person from receiving training or retraining benefits for any week for which it is later determined that he was not eligible to receive unemployment compensation.

The Manpower Development and Training Act of 1962 authorizes the payment of benefits to persons undergoing on-the-job training. However, the amount of any payment which would otherwise be made to such a person is reduced by an amount which bears the same ratio to the payment as the number of compensated hours per week bears to forty hours. That Act also authorizes additional payments for transportation and subsistence in the case of persons whose training is provided in facilities which are not within commuting distance of their regular place of residence.

Revenue Ruling 55-652, C.B. 1955-2, 21, and I.T. 3230, C.B. 1938-2, 136, hold that unemployment compensation payments made by a state or Federal agency are not subject to Federal income tax in the hands of the recipients. A similar position has been taken with respect to other payments which were made in the interest of the general welfare. See Revenue Ruling 57-102, C.B. 1957-1, 26, which holds that benefit payments received by a blind person from the State of Pennsylvania constitute disbursements from a general welfare fund in the interest of the general public and are not includible in the gross income of the recipients. See also Revenue Ruling 131, C.B. 1953-2, 112, and I.T. 3447, C.B. 1941-1, 191.

Benefit payments made under the Area Redevelopment Act and the Manpower Development and Training Act of 1962 are intended to aid the recipients in their efforts to acquire new skills that will enable them to obtain better employment opportunities, and, as such, fall in the same category as other unemployment relief payments made for the promotion of the general welfare. 21

Accordingly, it is held that such payments are not includible in the gross incomes of the recipients.