

INTERNAL REVENUE SERVICE

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CC:ITA:B4/CONEX-137078-03
UIL: 61.00-00

July 11, 2003

[REDACTED]

Attention: [REDACTED]

Dear [REDACTED]:

I am writing in response to your letter of May 29, 2003, on behalf of your constituent, [REDACTED]. [REDACTED] asked about income averaging for real estate brokers and others on commission sales.

As you requested, I have responded directly to [REDACTED]. I am enclosing a copy of my response.

I hope this information is helpful. If you need further assistance, please call [REDACTED]
[REDACTED]

Sincerely,

Robert A. Berkovsky
Branch Chief
Office of Associate Chief Counsel
(Income Tax & Accounting)

Enclosure

Internal Revenue Service

Department of the Treasury

Washington, DC 20224

Person to Contact:

Telephone Number:

Refer Reply To:

CC:ITA:4 – CONEX-137078-03

Date:

July 11, 2003

Dear [REDACTED]:

[REDACTED] asked that our office respond directly to your inquiry about income averaging. You said that your expenses are ongoing, but that your income may vary considerably from year to year, depending on land sales. As a result, you asked about the return of income averaging for real estate brokers and others on commission sales.

The Tax Reform Act of 1986 repealed income averaging. Former §§1301-1305 of the Internal Revenue Code allowed income averaging for a broad group of taxpayers. The reason for the repeal of income averaging was stated as follows by the Ways and Means Committee of the United States House of Representatives: "The committee believes that other individual income tax provisions of the bill, providing wider brackets with fewer rates and a flatter rate structure, reduce the need for income averaging to the point that there is no longer sufficient justification to retain it in light of its complexity." H.R. Rep. No. 426, 99th Cong., 1st Sess.114 (1985).

The Taxpayer Relief Act of 1997 added §1301, which provides for the averaging of farm income. Income averaging for real estate brokers and others on commission sales would require further legislative action.

If you have any questions about this letter, please call [REDACTED]

Sincerely,

Robert A. Berkovsky
Branch Chief
Office of Associate Chief Counsel
(Income Tax & Accounting)