



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

OFFICE OF
CHIEF COUNSEL

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The Honorable J. Randy Forbes
Member, U.S. House of Representatives
425-H South Main Street
Emporia, VA 23847

Dear Congressman Forbes:

Thank you for your letter dated April 8, 2005, concerning the payments made to tobacco quota holders and producers under the Fair and Equitable Tobacco Reform Act of 2004 (FETRA). You asked how we will treat the payments for federal tax purposes.

We expect to publish guidance on the taxation of FETRA payments in the near future.

I appreciate your comments. If you have further questions, please call me or
Identification Number _____, at (202) 622-4920.

Sincerely,

Michael J. Montemurro
Acting Branch Chief
Office of Associate Chief Counsel
(Income Tax and Accounting)