



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

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The Honorable Debbie Stabenow
United States Senator
3280 Beltline Court, Suite 400
Grand Rapids, MI 49525

Attention:

Dear Senator Stabenow:

I am responding to your e-mail dated February 9, 2007, about a proposed revenue ruling that addresses the self-employment tax treatment of payments under the Conservation Reserve Program (CRP).

We appreciate your comments. We are aware of the U.S. Tax Court's decision on this issue, as well as the U.S. Court of Appeals holding that overruled that decision. It was the lack of clarity in this area that prompted the IRS and Department of Treasury to seek public input on guidance to address this issue.

The proposed revenue ruling reflects what we believe is the proper interpretation based on existing statutory and case law. We believe that barring specific statutory language exempting CRP payments from self-employment income, these payments are subject to self-employment tax as income derived from a trade or business.

We have requested comments on the proposed revenue ruling. We will consider all the comments we receive, including yours, as we finalize the ruling.

I hope this information is helpful. If you would like to discuss this further, please contact me or _____ at () _____.

Sincerely,
Marie Cashman
Special Counsel
(Exempt Organizations/ Employment
Tax/Government Entities)