



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

Office of
Chief Counsel

April 11, 2008

Number: **INFO 2008-0011**
Release Date: 6/27/2008

UIL: 1402.00-00

CONEX 112216-08

Dear _____ :

This letter is in response to your letter dated February 6, 2008, to the President of the United States. You wrote about Notice 2006-108 and the requirement that taxpayers who receive Conservation Reserve Program (CRP) payments must pay self-employment taxes.

Notice 2006-108 publishes the IRS and the Department of Treasury's proposed revenue ruling that addresses the self-employment tax treatment of payments under the CRP. The proposed 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. This proposed ruling does not reflect a change in our position.

The Senate has recently proposed a statutory change exempting certain CRP payments made after December 31, 2007, from self-employment income in the Heartland, Habitat, Harvest, and Horticulture Act of 2007. If enacted into law, the proposed legislation would exclude CRP payments to participants who receive social security retirement or disability benefits from self-employment income.

We appreciate your comments and your concern that the self-employment tax reduces the after tax income of retired CRP participants who live on fixed incomes. We have received other comments on the proposed revenue ruling. As part of the process of finalizing the ruling, we will consider all of the comments we have received as well as any legislation Congress may enact excluding CRP payments from self-employment income.

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

Sincerely,

NANCY J. MARKS
Division Counsel/Associate Chief Counsel
(Tax Exempt & Government Entities)