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The Honorable Steve King
Member, U.S. House of Representatives
1035 East Shore Drive
Lake View, IA 51450

Attention:

Dear Congressman King:

This letter responds to your inquiry dated December 8, 2008. You asked if insurance payouts from the federal crop insurance program are deferrable payments for federal income tax purposes.

In general, a cash method taxpayer who receives crop insurance payments must include them in income in the year received. However, a taxpayer may elect to report income from certain crop insurance payments in the following tax year. The type of payments that taxpayers may postpone until the following tax year are payments that result from the damage or destruction of crops, where the taxpayer can establish that income from the damaged or destroyed crops would have been reported in a following tax year. The general rule for cash method taxpayers receiving payments from crop insurance still applies to amounts received for any reason other than the damage or destruction of the taxpayer's crops.

You can find more information on how to postpone reporting income from crop insurance payments made by reason of damage or destruction of crops on page 11 of Chapter 3 of Publication 225, *Farmer's Tax Guide*. For your convenience, I am enclosing a copy of that page.

I hope this information is helpful. If you have any questions, please call me or
() , Office of Chief Counsel, Income Tax and Accounting Division, at
() .

Sincerely,

Karin G. Gross
Senior Technician Reviewer
(Income Tax and Accounting)

Enclosure