

**Internal Revenue Service**

Department of the Treasury  
Washington, DC 20224

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Person To Contact:  
, ID No.

Telephone Number:

Refer Reply To:  
CC:TEGE:EB:HW  
PLR-140954-12

Date:  
December 14, 2012

Taxpayer =

State =

Statute =

Insurer =

Dear :

This is in reply to the letter dated August 1, 2012, submitted on your behalf, requesting a ruling with respect to whether certain no-fault automobile insurance benefits you receive are excludable from gross income under section 104(a)(3) of the Internal Revenue Code (the "Code").

**FACTS**

Taxpayer serves as the court appointed Guardian of her adult daughter, a legally incapacitated adult. Taxpayer's daughter, the Ward, sustained physical injuries in an automobile accident and is unable to care for herself. Taxpayer coordinates care giving services for Ward.

Insurer pays monthly benefits to Taxpayer on behalf of Ward pursuant to Statute. Under Statute, every motor vehicle accident occurring in State creates a claim for no

fault insurance benefits. No fault insurance benefits include all reasonable charges incurred for reasonably necessary products, services and accommodations for an injured person's care, recovery or rehabilitation. Statute contains no further definition of allowable expenses. Allowable expenses are payable for life and without a dollar limitation. Benefits are paid by the victim's own insurance company and are always paid regardless of who was at fault for the accident. Allowable benefits include, for example, medical and hospital expenses; in-home nursing or attendant care; physical and vocational rehabilitation; and guardianship expenses.

## LAW AND ANALYSIS

Section 104(a)(3) of the Code provides that except in the case of amounts attributable to (and not in excess of) deductions allowed under section 213 of the Code for any prior taxable year, gross income does not include amounts received through accident or health insurance for personal injuries or sickness (other than amounts received by an employee, to the extent such amounts are attributable to contributions by the employer which were not includible in the gross income of the employee, or are paid by the employer).

Section 1.104-1(d) of the Income Tax Regulations provides that section 104(a)(3) excludes from gross income amounts received through accident or health insurance for personal injuries or sickness (other than amounts received by an employee, to the extent that such amounts (1) are attributable to contributions of the employer which were not includible in the gross income of the employee, or (2) are paid by the employer). Similar treatment is also accorded to amounts received under accident or health plans and amounts received from sickness or disability funds.

Rev. Rul. 73-154, 1973-1 C.B. 50 considered a taxpayer who was injured in an accident and, as a result of his injuries, received disability payments under the automobile owner's no fault insurance policy. The state statute required that disability insurance benefits be provided without regard to fault under motor vehicle policies that provide bodily injury and property damage liability insurance for motor vehicles registered in that state. The ruling held that disability benefits received under a no fault insurance contract are amounts received through accident or health insurance for personal injury or sickness within the meaning of section 104(a)(3) of the Code and are not includible in the gross income of the recipients for federal income tax purposes.

Based on the information submitted and authorities cited above, we conclude that, under section 104(a)(3) of the Code, the no fault automobile insurance benefits received pursuant to the Statute are not includible in the gross income of the Taxpayer for federal income tax purposes.

No opinion is expressed as to the federal tax consequences of the transaction under any other section of the Code or Statute other than as specifically stated above.

This ruling letter is directed only to the Taxpayer that requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representative.

Sincerely,

Harry Beker, Chief  
Health & Welfare Branch  
Office of Division Counsel/Associate Chief  
Counsel  
(Tax Exempt & Government Entities)