



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

OFFICE OF THE CHIEF COUNSEL

August 13, 2014

Number: **2014-0029**
Release Date: 9/26/2014

CC:ITA:B04:
CONEX-126102-14

UIL: 6041.00-00; 61.40-00

Dear _____ :

I am responding to your letter of June 25, 2014 to Commissioner Koskinen. You requested a ruling concerning whether the _____ (Center), a quasi-governmental agency, is required by § 6041 of the Internal Revenue Code to issue Forms 1099-MISC reporting payments to parents of disabled adults that reimburse them for the disabled adults' Medicare Part D insurance premium pursuant to the _____ (Act). The Act is designed to afford developmentally disabled persons with the opportunity to live and work in community settings that are least restrictive.

If the Center wishes to obtain a private letter ruling from the Internal Revenue Service that applies the law to its particular facts and circumstances, it must submit a request for a private letter ruling under Rev. Proc. 2014-1, 2014-1 I.R.B. 1 and pay the appropriate user fee. You may obtain a copy of Rev. Proc. 2014-1 on irs.gov or at www.irs.gov/pub/irs-irbs/irb14-01.pdf. Although we cannot provide you with a letter ruling, we hope that the following general information is helpful to you.

Section 6041(a) provides that all persons engaged in a trade or business and making a payment of fixed or determinable income to another person of \$600 or more in a taxable year shall file an information return reporting the amount of the payment and the name and address of the recipient of the payment. Section 6041(d) provides that a person required to file the information return under § 6041(a) must also furnish a statement to the payee with respect to whom the return was made. Form 1099-MISC is used for this reporting.

Payments made to or on behalf of individuals or other persons under governmental programs are included within the broad definition of gross income under § 61 of the

Internal Revenue Code unless an exclusion applies. The Service has consistently concluded, however, that certain payments made to or on behalf of individuals by governmental units under governmentally provided social benefit programs for the promotion of the general welfare are not included in a recipient's gross income (general welfare exclusion). To qualify under the general welfare exclusion, the payments must (1) be made pursuant to a governmental program, (2) be for the promotion of the general welfare (that is, based on individual or family need), and (3) not represent compensation for services. Rev. Rul. 2005-46, 2005-2 C.B. 120. For example, the Service has held that payments that primarily provide job-training skills to unemployed and underemployed individuals to enhance their employability are excluded from income under the general welfare exclusion. See Rev. Rul. 75-246, 1975-1 C.B. 24 (*Situation 1*) and Rev. Rul. 68-38, 1968-1 C.B. 446.

Thus, if under the Act's program the Center reimburses family members of developmentally disabled individuals for insurance premiums they incur on behalf of such persons, and if the reimbursements are based on individual or family need under the general welfare exclusion, then the reimbursements would be excluded from the income of the family members and the disabled individuals. In such a case, the reimbursements would not constitute fixed or determinable income, and the Center would not be required to report these payments on Forms 1099-MISC.

This letter is a general information letter and calls attention to well-established principles of the law. It is intended for information purposes only and does not constitute a ruling. See § 2.04 of Rev. Proc. 2014-1.

I hope this information is helpful. If you have additional questions, please contact
or me at () .

Sincerely,

Michael J. Montemurro
Chief, Branch 4
Office of Associate Chief Counsel
(Income Tax & Accounting)