

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

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Attention:

Dear \_\_\_\_\_ :

This letter responds to your request for information dated November 27, 2017. In your letter, you detailed a subsidy program to help residents, who otherwise did not qualify for federal or state assistance, pay for health insurance obtained in the individual marketplace.

In general, § 61 of the Internal Revenue Code provides that, except as otherwise provided by law, gross income means all income from whatever source derived. Under § 61, Congress intends to tax all gains and undeniable accessions to wealth, clearly realized, over which taxpayers have complete dominion. Commissioner v. Glenshaw Glass Co., 348 U.S. 426, 75 S. Ct. 473, 99 L. Ed. 483, 1955-1 C.B. 207 (1955), 1955-1 C.B. 207; Rev. Rul. 2005-46, 2005-2 C.B. 120. Governmental grants are includible in gross income under § 61 unless excluded from gross income by law. See Rev. Rul. 85-39, 1985-1 C.B. 21 (dividend payments Alaska makes to all adult residents to encourage them to remain in the state and thereby reduce social, economic and political instability are gross income under § 61).

Freedom Newspapers, Inc. v. Commissioner, T.C. Memo. 1977-429, involves a payment by a seller's broker to a purchaser that the court found to be part of the purchase transaction between the seller and the purchaser of newspapers. The seller insisted on the sale of a group of newspapers, one of which the purchaser did not wish to purchase. Because the seller's broker's commission depended on selling the entire group of newspapers, the broker induced the purchaser to purchase the entire group of newspapers by agreeing to pay the purchaser \$100,000 unless the broker resold one of the newspapers at purchaser's cost within one year of closing. The broker paid the purchaser \$100,000 when the broker was unable to sell the newspaper at the agreed price. The court held that the \$100,000 was not income to the purchaser, but rather a purchase price reduction that reduced the purchaser's basis in the purchased property,

because the agreement with the seller's broker was intended to and succeeded in inducing the purchaser's purchase.

Situation 2 of Rev. Rul. 2006-27, 2006-1 I.R.B. 915, involves a nonprofit corporation that provides down payment assistance towards the purchase of homes to low income individuals and families. The ruling holds that down payment assistance received by a home purchaser represents a rebate or an adjustment to the purchase price, and, as such, is not included in a purchaser's gross income.

Rev. Rul. 76-96, 1976-1 C.B. 23, suspended on another issue by Rev. Rul. 2008-26, 2008-21 I.R.B. 985, involves a manufacturer of automobiles that paid rebates to all its retail customers who purchased or leased new automobiles. The ruling holds that a rebate is not includible in a customer's gross income; but rather, represents an adjustment to the purchase price of the automobile.

This letter has called your attention to certain general principles of the law. It is intended for informational purposes only and does not constitute a ruling. See Rev. Proc. 2018-1, §2.04, 2018-1 IRB 9 (Jan. 2, 2018). If you have any additional questions, please contact our office at

Sincerely,

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Office of Associate Chief Counsel  
(Income Tax & Accounting)