

**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:ITA:B04  
PLR-110359-24  
Date:  
December 02, 2024

**LEGEND**

Taxpayer =  
  
State =  
  
Date =  
  
Amount X =

Dear :

This responds to your request for a letter ruling regarding Taxpayer’s information reporting obligations under section 6041 with respect to amounts paid to its customers pursuant to rebate agreements.<sup>1</sup>

**FACTS**

Taxpayer represents the following facts: it was organized under the laws of State on Date and has elected to be an S corporation under section 1361. Taxpayer is a licensed

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<sup>1</sup> Unless otherwise specified, all section references are to sections of the Internal Revenue Code of 1986, as amended, Title 26 U.S.C. (Code), or the Income Tax Regulations, Title 26 C.F.R. pt. 1.

life insurance agency and sells life insurance policies to individuals who are residents of State, as well as to business entities organized in State and trusts with a State resident trustee.

State law permits an insurance agent to rebate life insurance commissions to customers. To increase competitiveness and develop goodwill with customers, Taxpayer enters into a rebate agreement with each customer. Under the rebate agreement, Taxpayer pays a portion of its commission to the customer if the customer obtains life insurance.

The amount of the rebate is equal to the insurance premium less Amount X. (The rebate in essence reduces the cost of the insurance premium to Amount X.) To receive a rebate, the customer must pay the life insurance policy premium and the insurance carrier must issue the life insurance policy to the customer. Taxpayer does not determine whether the customer continues to pay the policy premium in subsequent years or allows the life insurance policy to lapse.

## LAW AND ANALYSIS

### *Income Taxation*

Section 61 of the Code provides that gross income includes all income from whatever source derived, except as otherwise provided by law. The term “income” is broadly defined as “instances of undeniable accessions to wealth, clearly realized, and over which the taxpayers have complete dominion.” Commissioner v. Glenshaw Glass Co., 348 U.S. 426, 431 (1955).

Rev. Rul. 91-36, 1991-26 I.R.B. 1, involved an electric utility company that provided a rate reduction or nonrefundable credit on the customer’s electric bill if the customer participated in an energy conservation program. The ruling concludes that the rate reductions or nonrefundable credits represent a reduction in the purchase price of electricity. As such, they are not includible in the customer’s gross income.

Announcement 2024-19 addressed amounts paid toward the purchase of energy efficient property and improvements under Department of Energy (DOE) Home Energy Rebate Programs. The announcement provides that rebates paid to or on behalf of a purchaser under the DOE Home Energy Rebate Programs are treated as purchase price adjustments for the purchaser and are therefore not includible in the purchaser’s gross income under section 61 of the Code.

In the present case, based on the facts represented by Taxpayer, the rebates are payments by Taxpayer to the customers that reduce the amount of the insurance premium, which lowers the price of purchasing life insurance. Accordingly, the payments represent an adjustment to the purchase price of life insurance and are not includible in the customers’ gross income for federal income tax purposes.

*Information Reporting*

Sections 6041(a) and (d) of the Code require all persons engaged in a trade or business, and making payment in the course of such trade or business to another person of rent, salaries, wages, premiums, annuities, compensations, remunerations, emoluments, or other fixed or determinable gains, profits, and income of \$600 or more in a taxable year to make an information return to the Internal Revenue Service (Service), and furnish an information statement to the payee.

Section 1.6041-1(c) states that income is fixed “when it is to be paid in amounts definitely predetermined,” and is determinable “whenever there is a basis of calculation by which the amount to be paid may be ascertained.”

Section 1.6041-1(f)(1) provides that the amount which must be reported under Section 6041(a) and (d) is only that which is includible in the gross income of the payee. Where the payment does not constitute gross income to the payee, no information report under Section 6041 is required.

In the present case, the rebate issued to Taxpayer’s life insurance customers does not constitute gross income. As stated above, it is instead treated as a purchase price adjustment to the insurance premium. Accordingly, there is no gross income to be reported, and therefore Taxpayer is not required to furnish an information report to the Service or to Taxpayer’s customers under Section 6041.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) 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 representatives.

This letter ruling is being issued electronically in accordance with Rev. Proc. 2024-1. A paper copy will not be mailed to the taxpayer.

Sincerely,

Angella L. Warren  
Chief, Branch 4  
Office of Associate Chief Counsel  
(Income Tax & Accounting)

PLR-110359-24

4

cc: