



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

OFFICE OF THE CHIEF
COUNSEL

May 16, 2019

Number: **2019-0024**
Release Date: 12/27/2019

CC:ITA:B04:
CONEX-107796-19

UIL: 61.40-00, 6041.00-00

The Honorable Peter T. King
Member, U.S. House of Representatives
1003 Park Boulevard
Massapequa Park, NY 11762

Attention:

Dear Representative King:

I'm responding to your inquiry dated April 1, 2019, on behalf of the _____, concerning whether _____ is required by section 6041 of the Internal Revenue Code (Code) to issue Forms 1099-G, Certain Government Payments, reporting grant payments it pays to homeowners under a program _____.

Section 6103 of the Code prevents me from disclosing any return or return information, including information about a private letter ruling request, to anyone other than the taxpayer without proper written disclosure authorization. Therefore, I cannot discuss any private letter ruling requests or even confirm whether our office has received a private letter ruling request on this subject without _____ consent.

Although I cannot discuss another taxpayer's treatment, I can provide general information that may be helpful. In general, section 6041(a) and the regulations thereunder provide that all persons engaged in a trade or business that make payments of fixed or determinable income to another person of \$600 or more in a taxable year must file an information return. The return must contain the amount of the payments and the name and address of the recipient. Pursuant to section 6041(d), the filer must also furnish a statement to the payee reporting the information shown on the information return. These requirements apply to payments by the United States, a state, or other

government entity. Regulation section 1.6041-1(i) provides that information returns reporting payments made by a state, or political subdivision, agency or instrumentality thereof, shall be made by the officer or employee having control of such payments or by the officer or employee appropriately designated to make such returns. Form 1099-G is used to report payments of taxable grants by state or local governments.

Payments made to or on behalf of individuals or other persons under governmental programs are included within the broad definition of gross income under section 61 of the Code, unless an exclusion applies. In that regard, the IRS has consistently concluded that certain payments made to or on behalf of individuals by governmental entities 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 need), and
- (3) not represent compensation for services.

Therefore, the general welfare exclusion applies if the grant is received under a program requiring the individual recipient to establish need. Grants received under social welfare programs that do not require recipients to establish individual need do not qualify under the general welfare exclusion. Bailey v. Commissioner, 88 T.C. 1293, 1300 (1987), acq., 1989-2 C.B. 1.

Again, I am providing general information in this letter, which calls attention to well-established principles of the law. It is intended for information purposes only and does not constitute a ruling. See section 2.04 of Rev. Proc. 2019-1, 2019-1 I.R.B. 1.

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

Sincerely,

Scott K. Dinwiddie
Associate Chief Counsel
(Income Tax & Accounting)