



COMMISSIONER

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

February 27, 2007

Number: **INFO 2007-0011**

Release Date: 3/30/2007

CONEX-109302-07

UIL 1402.00-00

The Honorable Vic Snyder
U.S. House of Representatives
Washington, D.C. 20510

Dear Mr. Snyder:

Thank you for your recent letter concerning the IRS and Department of Treasury's proposed revenue ruling that addresses the self-employment tax treatment of payments under the Conservation Reserve Program (CRP).

We appreciate your comments. We are aware of the decision of the U.S. Tax Court regarding this issue, as well as the holding of the U.S. Court of Appeals that overruled that decision. It was the lack of clarity in this area that prompted the IRS and Department of Treasury to seek public input on guidance to address this issue.

The proposed revenue ruling that resulted from this project reflects what the IRS and the Department of Treasury believe is the proper interpretation based on existing statutory and case law. We believe that, barring specific statutory language exempting CRP payments from self-employment income, these payments are subject to self-employment tax as income derived from a trade or business.

As you know, we have requested comments regarding the proposed revenue ruling and will take all comments received, including yours, into account as part of the process finalizing the ruling.

If you would like to discuss this further, please contact me, or your staff may contact
() , Assistant Chief Counsel (Exempt Organizations/Employment Tax/Government Entities) at
() .

Sincerely,

Mark W. Everson



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The Honorable John Boozman
U.S. House of Representatives
Washington, D.C. 20510

Dear Mr. Boozman:

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The Honorable Mike Ross
U.S. House of Representatives
Washington, D.C. 20510

Dear Mr. Ross:

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We appreciate your comments. We are aware of the decision of the U.S. Tax Court regarding this issue, as well as the holding of the U.S. Court of Appeals that overruled that decision. It was the lack of clarity in this area that prompted the IRS and Department of Treasury to seek public input on guidance to address this issue.

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The Honorable Marion Berry
U.S. House of Representatives
Washington, D.C. 20510

Dear Mr. Berry:

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The Honorable Mark Pryor
United States Senate
Washington, D.C. 20510

Dear Senator Pryor:

Thank you for your recent letter concerning the IRS and Department of Treasury's proposed revenue ruling that addresses the self-employment tax treatment of payments under the Conservation Reserve Program (CRP).

We appreciate your comments. We are aware of the decision of the U.S. Tax Court regarding this issue, as well as the holding of the U.S. Court of Appeals that overruled that decision. It was the lack of clarity in this area that prompted the IRS and Department of Treasury to seek public input on guidance to address this issue.

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The Honorable Blanche L. Lincoln
United States Senate
Washington, D.C. 20510

Dear Senator Lincoln:

Thank you for your recent letter concerning the IRS and Department of Treasury's proposed revenue ruling that addresses the self-employment tax treatment of payments under the Conservation Reserve Program (CRP).

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