



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

Office of
Chief Counsel

June 19, 2007

Number: **INFO 2008-0019**

Release Date: 6/27/2008

UIL 1402.00-00

CONEX-119237-08

The Honorable Donald A. Manzullo
U.S. House of Representatives
Washington, D.C. 20515

Attention:

Dear Mr. Manzullo:

I apologize for the delay in responding to your letter dated April 7, 2008, on behalf of your constituent, . He asked about the status of a proposed IRS rule that would impose a self-employment tax on land owners who lease their land.

Although does not cite the specific proposed IRS rule, we think that he refers to Notice 2006-108 and the requirement that taxpayers who receive Conservation Reserve Program (CRP) payments must pay self-employment taxes.

One recent development partially changes the position taken in this Notice. The Congress recently changed the law on May 22, 2008, by exempting certain CRP payments made after December 31, 2007, from self-employment income in the Heartland, Habitat, Harvest, and Horticulture Act of 2007. This change excludes CRP payments from self-employment income for participants who receive social security retirement or disability benefits. For your convenience, I have attached a copy of this change.

We believe that except for these payments, the proposed ruling in the Notice which subjects CRP payments to self-employment tax as income derived from a trade or business is the proper interpretation based on existing statutory and case law.

We appreciate comments. As part of the process of finalizing the ruling, we will consider all the comments we have received as well as any legislation the Congress may enact excluding CRP payments from self-employment income.

I hope this information is helpful. If you would like to discuss this matter further, please contact me at _____ or _____ at _____ .

Sincerely,

Nancy J. Marks
Division Counsel/Associate Chief Counsel
(Tax Exempt & Government Entities)

Enclosure