



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

OFFICE OF THE CHIEF COUNSEL

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The Honorable John Boccieri
Member, U.S. House of Representatives
300 W Tuscarawas Street, Suite 716
Canton, OH 44702

Attention:

Dear Congressman Boccieri:

I am responding to your inquiry dated June 3, 2010, on behalf of your constituent, . asked about the federal income tax treatment of amounts paid by Medicare and Medicaid to physicians as incentives for the implementation of electronic medical records (EMRs).

Gross income includes any accession to wealth unless specifically excluded by law (section 61 of the Internal Revenue Code). Based on the facts presented, the incentives paid by Medicare and Medicaid clearly increase the wealth of their recipients, and no applicable income tax exclusion exists for incentives to implement EMRs. Thus, physicians who receive incentives to implement EMRs must include them in gross income.

We note, however, that taxpayers are generally subject to tax on gross income less allowable deductions. may be allowed to deduct the costs he incurs implementing EMRs as business deductions in the year he incurs them or over the useful life of the property acquired.

I hope this information is helpful. If we can assist you further, please contact
or me at .

Sincerely,

William A. Jackson
Chief, Branch 5
Associate Chief Counsel
(Income Tax & Accounting)