



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

OFFICE OF THE CHIEF COUNSEL

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CONEX-127572-10

UIL: 61.40-00

The Honorable Lisa Murkowski
United States Senate
Washington, DC 20510

Dear Senator Murkowski:

I am responding to your June 11, 2010, letter on behalf of your constituents, _____, _____, and _____, who asked whether they must include in gross income payments they received from the Alaska Housing Finance Corporation (AHFC) for making energy efficiency improvements to their homes as part of the Alaska Home Energy Rebate Program (Program).

The AHFC offers individuals payments of up to \$10,000 for making energy efficiency improvements to their homes. The Program requires a certified home energy rater to evaluate homes before and after the improvements. The amount of the payment is based on the level of improvement in the energy efficiency of the home.

Gross income is income from whatever source derived, except as otherwise provided by law (section 61 of the Internal Revenue Code). The Code does not contain an exclusion from income for grants the AHFC makes under the Program. Therefore, recipients of Program payments must include the payments in gross income.

Taxpayers receiving Program payments may be eligible for a tax credit of up to 30 percent of the cost of qualified energy efficiency improvements (section 25C of the Code). For purposes of this credit, a taxpayer's cost for the improvements is not reduced by the amount of any Program payments.

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

Sincerely,

George J. Blaine
Associate Chief Counsel
(Income Tax & Accounting)