



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

OFFICE OF THE CHIEF COUNSEL

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Dear \_\_\_\_\_ :

This letter responds to your letter requesting for information about a punitive damages award you received. We are addressing only the tax question you posed. The other questions are not within the IRS' jurisdiction. You asked whether you are required to include in gross income punitive damages recovered during 2002 in a suit against your former employer. We are happy to provide you with the following general information.

Under § 61 of the Internal Revenue Code (Code), a taxpayer must include in gross income all income from whatever source derived. Accordingly, a taxpayer must include in gross income any accession to wealth, unless it is excluded from gross income by another section of the Code. There is no section of the Code that permits the exclusion of punitive damages from gross income. Moreover, the Supreme Court of the United States has ruled that taxpayers must include punitive damages in gross income. *Commissioner v. Glenshaw Glass Co.*, 348 U.S. 426 (1955).

This letter has called your attention to certain general principles of the law. It is intended for informational purposes only and does not constitute a ruling. See Rev. Proc. 2010-1, §2.04, 2010-1 I.R.B. at 7. If you have any additional questions, please contact me or \_\_\_\_\_, Identification Number \_\_\_\_\_, at \_\_\_\_\_.

Sincerely,

Michael J. Montemurro  
Chief, Branch 4  
Office of Associate Chief Counsel  
(Income Tax & Accounting)