

**Internal Revenue Service**

Number: **200502002**

Release Date: 01/14/2005

Index Number: 61.40-00, 6041.00-00

Department of the Treasury

Washington, DC 20224

Third Party Communication: None

Date of Communication: Not Applicable

Person To Contact:

, ID No.

Telephone Number:

Refer Reply To:

CC:ITA:B04

PLR-102155-04

Date:

September 30, 2004

Legend

Taxpayer

State

Act

A

Dear

This letter is in response to your request for a ruling that stipends, vouchers, or reimbursements for transportation or respite care made pursuant to the Act are not includible in the income of the beneficiaries of these services and that the Taxpayer is not required by § 6041 of the Internal Revenue Code to file information returns as a result of providing the payments to the beneficiaries.

The Taxpayer is a nonprofit corporation organized under the Act to provide services to developmentally disabled persons. The Taxpayer is exempt from federal income tax as an organization described in § 501(c)(3) of the Internal Revenue Code.

The Act is intended to prevent or minimize the institutionalization of developmentally disabled persons and their dislocation from family and community. Its goal is to enable such persons to lead more independent and productive lives within the community. The Act defines "developmental disability" to include mental retardation, cerebral palsy, epilepsy, autism, and disabling conditions that require similar treatment.

A is the agency of State that has general jurisdiction over the execution of the laws relating to the care, custody, and treatment of developmentally disabled persons.

However, the duty of providing such persons with access to the facilities and services best suited to them throughout their lifetime is delegated to regional centers operated by private nonprofit agencies under contract with A. The Taxpayer, a regional center, provides these services to qualified individuals within a specific region of State. These services include locating persons with developmental disabilities, assessing their needs, and providing individual services to meet those needs.

Among the services the Taxpayer provides are transportation services to developmentally disabled persons and other qualified individuals, such as family members of the disabled person, when transportation is required for treatment or habilitation. The Taxpayer also pays for respite care services to relieve the persons normally responsible for providing the disabled person's care. The Taxpayer receives the funds to pay for these services through governmental appropriations distributed by State. The Taxpayer provides these services in one of three ways:

- (1) by reimbursing qualified individuals for the cost of their actual and necessary transportation and respite care (not to exceed specified limits);
- (2) by providing qualified individuals with a fixed stipend in an amount estimated to be required for necessary transportation and respite care services actually rendered; or
- (3) by distributing vouchers to qualified individuals that may be given to participating service providers in lieu of payment for all or part of the cost of necessary transportation and respite care.

Section 61 provides that, generally, gross income includes all income from whatever source derived. The Internal Revenue Service has ruled that certain payments made under legislation for the promotion of the general welfare are not includible in the gross income of the recipients. See, for example, Rev. Rul. 57-102, 1957-1 C.B. 26, which holds that benefits to blind persons paid under the Public Assistance Law of Pennsylvania are not includible in the gross income of the recipients.

Section 6041(a) provides that, generally, all persons engaged in a trade or business who pay another person \$600 or more of fixed or determinable income in the course of that trade or business must file an information return setting forth the amount of the payment and the recipient of the payment.

Section 1.6041-1(b) of the Income Tax Regulations states that the term "all persons engaged in a trade or business" includes nonprofit organizations.

Based on the facts submitted, we conclude that the Taxpayer's payments for transportation or respite care are for the promotion of the general welfare and are not includible in the gross income of the qualified individuals who receive the payments. Accordingly, the Taxpayer is not required by § 6041 to file information returns reporting the payments to the qualified individuals.

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter. This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

Enclosed is a copy of the letter showing proposed deletions before disclosure of the letter under § 6110. In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representative.

Sincerely,

Robert A. Berkovsky  
Branch Chief  
Office of Associate Chief Counsel  
(Income Tax & Accounting)

Enclosure