

**Internal Revenue Service**

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**Department of the Treasury**

Washington, DC 20224

Person to Contact:

Telephone Number:

Refer Reply To:

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Date: **October 27, 1998**

>

LEGEND:

Fund =

Country =

Group =

National Bank =

A =

B =

C =

\$w =

\$x =

\$y =

\$z =

Dear

This letter responds to your request for a letter ruling dated July 15, 1998, regarding the taxation of a payment you will receive from the Fund. Additional information was submitted in letters dated August 3, 1998 and September 18, 1998. You request a ruling that the payment will not be includible in your gross income.

FACTS

In \_\_\_\_\_, the government of Country established the Fund. The purpose of Fund is to compensate A. Country describes the Fund as a humanitarian gesture rather than reparations or restitution payments for lost property.

The Fund operates under the auspices of Country, and will receive contributions of approximately \$w from the National Bank, private banks, and private sector companies in Country. Contributions to the Fund become the property of Country. Approximately \$x from the Fund will be distributed by Group to A in the United States. Individuals who file claims for payments from the Fund must (1) be B; (2) have lived under the C regime, C occupation, or under a regime of a C collaborator; (3) be citizens or permanent residents of the United States; and (4) declare themselves to be in need. Payments from the Fund will be a one-time payment not exceeding \$z per claimant.

You meet all of the above criteria. Your annual income is under \$y and you are a Medicaid recipient.

#### LAW AND ANALYSIS

Generally, § 61 of the Internal Revenue Code provides that gross income includes all income from whatever source derived. However, in the following rulings, the Internal Revenue Service has concluded that payments reimbursing recipients for the deprivation of civil or personal rights are not taxable income.

In Rev. Rul. 55-132, 1955-1 C.B. 213, and Rev. Rul. 56-462, 1956-2 C.B. 20, the Service ruled that payments made by the United States Government to former prisoners of war under the War Claims Act of 1948 and the War Claims Act Amendments of 1954 are in the nature of reimbursement for the loss of personal rights and are not includible in income.

In Rev. Rul. 56-518, 1956-2 C.B. 25, clarified by Rev. Rul. 57-505, 1957-2 C.B. 50, and amplified by Rev. Rul. 58-500, 1958-2 C.B. 21, the Service concluded, in part, that compensation paid under certain laws of the Federal Republic of Germany to former German citizens who are citizens or residents of the United States did not constitute taxable income to recipients for federal tax purposes. The ruling considered amounts paid to compensate individuals for persecution by the National-Socialist regime which resulted in damage to the life, body, health, liberty, or professional or economic development of the recipient. The ruling concludes that these payments are in the nature of reimbursement for the deprivation of civil or personal rights and are not taxable income.

Likewise, in Rev. Rul. 58-370, 1958-2 C.B. 14, the Service considered compensation paid by the Federal Republic of Austria to former Austrian citizens who are citizens or residents of the United States under the Law of Indemnification of Government Employees of July 18, 1952, or any indemnification laws enacted by the Federal Republic of Austria which are similar to those enacted by the Federal Republic of Germany as referred to in Rev. Rul. 56-518 and Rev. Rul. 57-505. The Service determined that these payments were similar in nature to those made under the German indemnification laws that were the subject of Rev. Ruls. 56-518 and 57-505, and constituted reimbursements for the deprivation of civil or personal rights. Therefore, the payments are not taxable income.

Further, in Rev. Rul. 69-212, 1969-1 C.B. 34, the Service considered payments to a United States resident of a widow's pension under the Federal Republic of Austria's General Social Insurance Law. The law provided for the restoration of pension benefits if such benefits were placed in jeopardy during the period between March 4, 1933, and May 9, 1945, for political reasons or for reasons of religion or race. The ruling held that the payments were in the nature of reimbursement for the deprivation of civil or personal rights and did not constitute taxable income.

#### HOLDING

Based strictly on the information submitted and representations made, a payment to you from Fund is in the nature of reimbursement for the deprivation of personal or civil rights as described in the revenue rulings. Accordingly, the payment is not includible in your income.

A copy of this letter ruling should be attached to any income tax return to which it is relevant. We enclose a copy for that purpose.

This ruling is directed only to the taxpayer(s) requesting it. Section 6110(k)(3) of the Internal Revenue Code provides that it may not be used or cited as precedent.

In accordance with the power of attorney on file, we are sending a copy of this letter to your authorized representative.

Sincerely,

Assistant Chief Counsel  
(Income Tax & Accounting)

By \_\_\_\_\_  
Michael J. Montemurro  
Senior Technician Reviewer  
Branch 2