



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

OFFICE OF  
CHIEF COUNSEL

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The Honorable Marsha Blackburn  
Member, U.S. House of Representatives  
1850A Memorial Drive  
Clarksville, TN 37043

Attention:

Dear Congresswoman Blackburn:

I am writing in response to your inquiry dated August 1, 2005, on behalf of your constituent, . wrote about how the producers of the television program *Extreme Makeover: Home Edition*, pay applicants \$50,000 to rent their homes for 10 days. The producers advise the applicants that the home improvements are non-taxable under section 280A(g) of the Internal Revenue Code (the Code). asked that the Congress close this loophole and that the Internal Revenue Service ensure taxes are paid on income won on reality TV shows.

Due to disclosure and privacy laws, I cannot provide specific tax or taxpayer information on a taxpayer's case to anyone other than the taxpayer or the taxpayer's authorized representative. However, I can provide general information, which I hope is helpful.

Section 61 of the Code provides that, except as otherwise provided by the Code, gross income means all income from whatever source derived.

Section 74(a) of the Code specifically provides that gross income (as generally defined in section 61) includes amounts received as prizes and awards. Under section 1.74-1 of the Income Tax Regulations, prizes and awards includible in gross income include, but are not limited to, amounts received from radio and television giveaway shows.

Section 280A(g) of the Code provides, in part, that if a dwelling unit is used during the year by the taxpayer as a residence and is actually rented for less than 15 days during the taxable year, then the income from such rental is excluded from the taxpayer's gross income.

To the extent that the value of the improvements constitutes a prize or an award, however, it cannot also be considered rent, and therefore could not qualify for the exclusion from gross income under section 280A(g) of the Code.

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

Sincerely,

Robert M. Brown  
Associate Chief Counsel  
(Income Tax and Accounting)