



OFFICE OF
CHIEF COUNSEL

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

June 18, 2009

The Honorable Eleanor Holmes Norton
Member, U.S. House of Representatives
Washington, DC 20515

Attention: Aaron Pritchard

Dear Congresswoman Norton:

I am responding to your letter dated June 11, 2009, on the income tax treatment of grants to homeowners under the District of Columbia Historic Homeowner Grant Program.

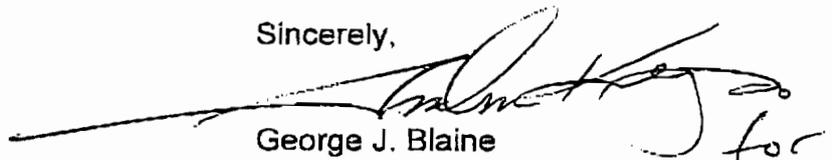
Under the program, the District of Columbia provides grants of up to \$35,000 to low and moderate income households as defined by the United States Department of Housing and Urban Development. The grants are to repair, restore, or replace exterior features of historic homes that are the primary residence of the grant recipient. The program gives preference to improvements that are visible from public streets, improve the appearance of the house, and retain original historic features and materials.

Payments under governmental social benefit programs for the promotion of the general welfare and not for services rendered are not includible in a recipient's gross income (general welfare exclusion). Rev. Rul. 76-395, 1976-2 C.B. 16, concludes that home rehabilitation grants that a city makes to low-income homeowners under a federally funded community development program are excludable from the recipients' gross income under the general welfare exclusion.

Grants that the District of Columbia makes under the Historic Homeowner Grant Program (HHGP) are analogous to the grants described in Rev. Rul. 76-395. Therefore, payments to grant recipients under the HHGP qualify for exclusion from their income under the general welfare exclusion.

I hope this information is helpful. If you have any questions, please call me or Sheldon Iskow at (202) 622-4920.

Sincerely,



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