

ACTION ON DECISION

SUBJECT: *Roosevelt Wallace v. Commissioner*
Docket Number: 4637-03
128 T.C. No. 11 (April 16, 2007).

Issue:

Whether certain payments made by the Department of Veterans Affairs under the compensated work therapy program described in 38 U.S.C. § 1718 are exempt from federal income tax as veterans' benefits.

Discussion:

In *Roosevelt Wallace v. Commissioner, supra*, the Tax Court held that payments made by the Department of Veterans Affairs from the Special Therapeutic and Rehabilitation Activities Fund described in 38 U.S.C. § 1718(c)(1), for work performed under compensated work therapy programs, are exempt from federal income tax as veterans' benefits. In reaching its decision, the Tax Court rejected the Internal Revenue Service's (Service) published position, stated in Revenue Ruling 65-18, 1965-1 C.B. 32, that payments made under this program are includible in a recipient's gross income as compensation for services.

The Service will no longer litigate whether payments made by the Department of Veterans Affairs under the compensated work therapy program described in 38 U.S.C. § 1718 are tax-exempt veterans' benefits.

Recommendation: Acquiescence.

Reviewers:

Michael F. Schmit
Attorney

Approved:

DONALD L. KORB
Chief Counsel

By: _____
George J. Blaine
Associate Chief Counsel

THIS DOCUMENT IS NOT TO BE RELIED UPON OR
OTHERWISE CITED AS PRECEDENT BY TAXPAYERS

