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The Honorable Tom Harkin
United States Senate
Washington, DC 20510

Attention:

Dear Senator Harkin:

This letter responds to your inquiry dated December 5, 2008. You asked about the tax treatment of crop insurance payments.

In general, a cash method taxpayer who receives crop insurance payments must include them in income in the year received. However, a taxpayer may elect to postpone inclusion of insurance proceeds resulting from the damage or destruction of crops until the following year if the taxpayer can establish that the income from the crops would have been reported in a following tax year.

The rules for reporting crop insurance payments are more fully explained on page 11 of Chapter 3 of Publication 225, *Farmer's Tax Guide*. For your convenience, I am enclosing a copy of that page.

I hope this information is helpful. If you have any questions, please call me or
() , Office of Chief Counsel, Income Tax and Accounting Division, at

Sincerely,

Karin G. Gross
Senior Technician Reviewer, Branch 1
(Income Tax and Accounting)

Enclosure