

Rev. Rul. 57-523, 1957-2 C.B. 51, 1957 WL 11009 (IRS RRU)

Internal Revenue Service (I.R.S.)

Revenue Ruling

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Income directly derived from Indian lands while held in trust under the General Allotment Act is exempt from Federal income tax to a patent holder, who is a member of either the Mandan, Gros Ventre (Hidatsa), or Arikara Indian Tribes. Such exempt income includes that from land allotted and used for farming, and income from grazing fees and oil lease bonus, where the land and mineral rights were both held in trust; but it does not include income from a trust allotment rented from another Indian.

Advice has been requested whether certain income derived from lands owned and rented by an Indian of mixed blood is includible in gross income for Federal income tax purposes.

The taxpayer, an Indian of mixed blood, who is included with the three tribes known as the Mandan, Gros Ventre (or Hidatsa), and Arikara Indian Tribes, is the patent holder of certain allotted and restricted Indian lands held by the United States, as trustee, in accordance with section 5 of the General Allotment Act of 1887, 24 Stat. 388, as amended, [25 U.S.C. 348](#). A portion of these lands was originally allotted to him for grazing purposes and the remaining portion was obtained through inheritance. In addition, he cultivated restricted and allotted Indian lands rented from other patent holders.

The taxpayer's income included income from farming and from grazing fees received by him for use of the above-described lands and a bonus for an oil lease on a portion of the land originally allotted to him.

Under [Revenue Ruling 56-342, C.B. 1956-2, 20](#), it is held that the oil lease bonus, the grazing fees, and the farm income received by the taxpayer are exempt from Federal income tax, including the tax on self-employment income imposed by Chapter 2, Subtitle A of the Code, to the extent that such income was from the lands held for him in trust. It is not material that the taxpayer is an Indian of mixed blood and acquired his interest in a portion of such lands by inheritance. However, the farm income derived from land which the taxpayer rented from other patent holders was not 'income held in trust for or received by the patent holder' within the meaning of [Revenue Ruling 56-342, supra](#), and is includible in gross income.

Accordingly, it is held that income directly derived from Indian lands while held in trust under the General Allotment Act of 1887, *supra*, whether allotted directly or inherited, is exempt from Federal income tax to a patent holder, whether or not of mixed blood, who is a member of either the Mandan, or Gros Ventre (Hidatsa), or Arikara Indian Tribes. Such exempt income includes income from land allotted and used for farming purposes, income from grazing fees, and income from an oil lease bonus, where the land and mineral rights were both held in trust under the General Allotment Act, *supra*; but it does not include income from a trust allotment rented from another Indian.

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