

Revenue Ruling 74-13

1974-1 Cumulative Bulletin 14;

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Section 61. - Gross Income Defined

The Internal Revenue Service will follow the decision in *Stevens* that income derived directly from restricted land purchased by the Secretary of the Interior on behalf of individual Indians and held in trust by the U.S. solely for their benefit under statutes construed to provide tax exemption for Indian property is exempt from Federal income tax regardless of source of the funds used to purchase the land; Revenue Rulings. 62-16 and 67-284 modified.

The Internal Revenue Service will follow the holding in *Stevens v. Commissioner*, 452 F.2d 741 (9th Cir. 1971), that income derived directly from restricted land purchased by the Secretary of the Interior on behalf of individual Indians under section 5 of the Indian Reorganization Act of 1934, 48 Stat. 985, 25 U.S.C. section 465 (1970), and held in trust by the United States solely for the benefit of such individual Indians under statutes that have been construed to provide tax exemption for Indian property, such as the General Allotment Act of 1887, 24 Stat. 388, 25 U.S.C. section 331 et seq., (1970), is exempt from the Federal income tax regardless of the source of the funds used to purchase the land.

Revenue Ruling 62-16, 1962-1 Cumulative Bulletin 7, held, in effect, that the exemption described above is not applicable where the Indian obtained his interest in the land through an arm's length purchase. This position was reconsidered in Revenue Ruling 67-284, 1967-2 Cumulative Bulletin 55, in view of transactions by noncompetent Indians to make intrafamily transfers of allotments or to assist needy Indians in acquiring small amounts of land with restricted funds. Revenue Ruling 67-284 holds that income will retain its exempt status where restricted allotted land is acquired for the above purposes by Deed Form 5-183b, thereby modifying Revenue Ruling 62-16.

Revenue Ruling 62-16 and Revenue Ruling 67-284 are modified to eliminate the holdings that income derived directly from purchased allotted land held in trust by the United States for the benefit of the Indians is not exempt from income tax.