



OFFICE OF THE CHIEF COUNSEL

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

SEP 1 2010

CC:ITA:B04:SAIskow
GENIN-135624-10

Mr. Richard Cordray
Ohio Attorney General
17th Floor, 30 East Broad Street
Columbus, OH 43215

Dear Attorney General Cordray:

You asked whether payments under the Ohio Veterans Bonus Program (the program) are excluded from the income of recipients for federal income tax purposes. Under the program, the state of Ohio will make bonus payments to veterans who served or are serving in the United States Armed Forces during the following time periods—

- Persian Gulf conflict (August 2, 1990 through March 3, 1991);
- Afghanistan conflict (October 7, 2001 through a date to be determined by the President of the United States); or
- Iraq conflict (March 19, 2003 through a date to be determined by the President of the United States).

Veterans qualify for payments regardless of whether they served or are serving in a combat zone for those conflicts. In addition, spouses, children, and parents of veterans who were killed, missing in action, or prisoners of war during those conflicts may also receive payments under the program.

The Internal Revenue Service addressed the tax treatment of similar payments in Rev. Rul. 68-158, 1968-1 C.B. 47, which concludes that "bonuses" that a state paid to, or on behalf of, qualified veterans who served in the United States Armed Forces during certain wars are not includible in the gross income of the recipients. Likewise, payments that the state of Ohio makes under the Ohio Veterans Bonus Program are excludable from the gross income of the recipients for federal income tax purposes.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Michael J. Montemurro".

Michael J. Montemurro
Chief, Branch 4
Office of Associate Chief Counsel
(Income Tax & Accounting)