



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

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The Honorable Dean Phillips  
Member, U.S. House of Representatives  
13911 Ridgedale Drive, Suite 200  
Minnetonka, MN 55305

Attention:

Dear Representative Phillips:

Thank you for your August 25, 2023, letter about the replacement of lead service lines owned by private property owners in Minnesota.

In your letter, you noted that Minnesota recently approved \$240 million in state funding to supplement federal funding to completely cover the cost of lead service line replacement for private property owners. You asked if this funding is included in the gross income of private property owners and asked when they can expect a status update on the guidance.

The Department of Treasury and the IRS appreciate the need for clear and timely guidance regarding the possible Federal income tax implications of these subsidies on individual homeowners. We continue to gather information and are considering all pertinent facts and related issues, which vary by jurisdiction. We are working expeditiously to address this issue as soon as is practicable.

We sincerely appreciate your outreach on this important issue. If you have questions, please contact

, at or , and  
, at .

Sincerely,

Amy J. Pfalzgraf, Branch 5 Chief  
Income Tax & Accounting