

## Section 25.—Interest on Certain Home Mortgages

*26 CFR 1.25–3T: Qualified mortgage credit certificate.*

The qualified census tracts for the states and the District of Columbia are set forth for use in determining the portion of loans required to be placed in targeted areas under section 143(h). See Rev. Proc. 2003–15, page 321.

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## Section 103.—Interest on State and Local Bonds

*26 CFR 1.103–1: Interest upon obligations of a State, Territory, etc.*

The qualified census tracts for the states and the District of Columbia are set forth for use in determining the portion of loans required to be placed in targeted areas under section 143(h). See Rev. Proc. 2003–15, page 321.

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*26 CFR 16A.126–1: Certain cost-sharing payments — In general (Temporary).*

**Cost-share payments; AMA.** The Agricultural Management Assistance Program (AMA) is substantially similar to the type of programs described in sections 126(a)(1) through (8) within the meaning of section 126(a)(9) of the Code. All or a portion of cost-share payments received under the AMA program is eligible for exclu-

sion from gross income to the extent permitted by section 126.

## Rev. Rul. 2003-15

### ISSUE

Is the Agricultural Management Assistance (AMA) program substantially similar to the type of programs described in § 126 (a)(1) through (8) of the Internal Revenue Code, so that the AMA program is within the scope of § 126(a)(9) and, thereby, cost-share payments received under the AMA program are eligible for exclusion from gross income to the extent permitted by § 126?

### FACTS

The AMA program, authorized under the provisions of Title I of the Agricultural Risk Protection Act of 2000, Pub. L. No. 106-224, 114 Stat. 358, is a voluntary program that provides cost-share assistance to agricultural producers to address threats to soil, water, and related natural resources by incorporating certain conservation practices into their farming operations. An agricultural producer who participates in the AMA program enters into a 5 to 10 year cost-share agreement with the Department of Agriculture pursuant to which the agricultural producer agrees to implement eligible conservation practices in return for cost-share payments in the amount of 75 percent of the cost of the eligible practice, with a limit of \$50,000 per person for any fiscal year. The total cost-share payments paid per person over the course of the contract cannot exceed \$150,000.

The Secretary of Agriculture has determined that cost-share payments under the AMA program are primarily for the purpose of conservation.

### LAW AND ANALYSIS

Under § 126(a), gross income does not include the excludable portion of payments received under certain conservation programs set forth in § 126(a)(1) through (8). Under § 126(a)(9), a program affecting “small watersheds” that is administered by the Secretary of Agriculture also is eligible for § 126 treatment if the Commissioner determines that the program is substantially similar to the type of pro-

grams described in §§ 126(a)(1) through (8). See § 16A.126-1(d)(3) of the temporary Income Tax Regulations for the definition of “small watershed.”

Once the Commissioner has determined that a program is substantially similar to the types of programs described in § 126(a)(1) through (8), taxpayers receiving cost-share payments under that program must determine what portion of the cost-share payments is excludable from gross income under § 126. See § 126(b)(1), and § 16A.126-1 relating to the partial exclusion for certain cost-share payments to determine what portion of the cost-share payments is excludable from gross income under § 126.

### HOLDING

The AMA program is substantially similar to the type of programs described in §§ 126(a)(1) through (8) within the meaning of § 126(a)(9). All or a portion of cost-share payments received under the AMA program is eligible for exclusion from gross income to the extent permitted by § 126. See § 126(b)(1) and § 16A.126-1 to determine what portion, if any, of the cost-share payments is excludable from gross income under § 126.

### DRAFTING INFORMATION

The principal author of this revenue ruling is Nicole R. Cimino of the Office of Associate Chief Counsel (Passthroughs and Special Industries). For further information regarding this revenue ruling, contact Ms. Cimino at (202) 622-3120 (not a toll-free call).

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## Section 143.—Mortgage Revenue Bonds: Qualified Mortgage Bond and Qualified Veterans' Mortgage Bond

26 CFR 6a.103A-2: *Qualified mortgage bond.*

The qualified census tracts for the states and the District of Columbia are set forth for use in determining the portion of loans required to be placed in targeted areas under section 143(h). See Rev. Proc. 2003-15, page 321.

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