

**INTERNAL REVENUE SERVICE**

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CC:ITA:B4  
CONEX-100978-03

[REDACTED]

Dear [REDACTED]:

I am responding to your letter dated December 18, 2002, on behalf of your constituents, [REDACTED]. [REDACTED] asked about the taxation of respite care payments paid to relieve an individual foster care provider from the ongoing demands of foster care.

In general, under § 61 of the Internal Revenue Code, gross income is all income from whatever source derived, including compensation for services.

Under § 131 certain foster care payments are excludable from the gross income of a taxpayer who provides foster care. This exclusion applies only to a taxpayer in whose foster family home a qualified foster placement agency places a qualified foster individual.

Generally, payments to a respite care provider are taxable as compensation for services under § 61.

I hope this information is helpful. If you have any questions, please call [REDACTED], at [REDACTED]

Sincerely,

Robert A. Berkovsky  
Branch Chief  
Office of Associate Chief Counsel  
(Income Tax & Accounting)