

Sy Accountancy Corporation

704 Mira Monte Place, Pasadena, California 91101
Tel (626) 744-0200 ▪ Fax (626) 744-0300 ▪ vsy@victorsycpa.com

TAXABLE AND NON TAXABLE INCOME

By Victor Sy, CPA

The IRS rule book states that all income are taxable except when they are specifically excluded by some rule, regulation, or court case. Here are examples of income that are taxable, partially taxable, or not taxable at all.

A. Taxable:

- Wages
- Capital gains
- Interest income.

B. May be taxable or Non-taxable depending on the situation:

- Life Insurance:
 - Life insurance proceeds because of an insured person's death are not taxable (unless the policy was turned over to you for a price under a life settlement arrangement).
 - If you surrender a life insurance policy for cash, you must include in income any proceeds that are more than the cost of the life insurance policy.
- Scholarship or Fellowship Grant:
 - If you are a candidate for a degree, you can exclude amounts you receive as a qualified scholarship or fellowship.
 - Amounts used for room and board do not qualify.
- Non-cash Income: Taxable income may be in a form other than cash. One example is bartering, which is an exchange of property or services. The fair market value of goods and services exchanged is fully taxable and must be included as income on Form 1040 of both parties.

C. Not Taxable at all:

- Child support payments
- Gifts, bequests and inheritances
- Workers' compensation benefits
- Meals and Lodging for the convenience of your employer
- Compensatory Damages awarded for physical injury or physical sickness (but not for emotional distress).
- Welfare Benefits
- Cash Rebates from a dealer or manufacturer
- Adoption Expense Reimbursements for qualifying expenses