

TAXABLE VS. NONTAXABLE INCOME

Do you know the difference?



Most taxpayers are well aware that income is generally taxable. But there are some types of income that are uncertain. Here are some examples which might help clarify the differences:

Taxable	Nontaxable
Proceeds from surrendering a life insurance policy that are in excess of the policy's cost.	Life insurance proceeds paid to you, as long as the policy wasn't turned over to you for a price.
Unemployment benefits.	Workers' compensation benefits (unless it's part of a retirement package).
Disability insurance income if <i>your employer</i> paid the premiums.	Disability insurance income if <i>you</i> paid the premiums.
Income from bartering.	Cash rebates from a dealer or manufacturer.
Punitive damages.	Compensatory damages for physical injury or sickness.
Most fringe benefits.	Statutorily excluded fringe benefits.
Alimony payments.	Child support payments.
Rents from personal property, if the rental activity is a business.	Rents (<15 days annually) from your principal residence or vacation home.
Reimbursements or cash advances for extravagant travel expenses.	Travel expense reimbursements or cash advances under an "accountable plan."
Gambling winnings.	Gifts and inheritances.
Cancellation of debt (COD) income.	Debt forgiveness received in connection with a foreclosure or a mortgage workout.

This list is not all-inclusive, and many rules and exceptions apply. Check with your tax advisor for more information.