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Accounting • Bookkeeping • Taxes

Taxable or Nontaxable?

Generally, most income you receive is taxable, according to the IRS. But there are some areas where certain types of income are partially taxed or not taxed at all. A complete list is available in IRS Publication 525, Taxable and Nontaxable Income.

Some common examples of items not included in your income are:

- Reimbursement for qualifying adoption expenses
- 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
- Welfare benefits
- Cash rebates from a dealer or manufacturer

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. Life insurance proceeds paid to you because of the death of the insured person are not taxable unless the policy was turned over to you for a price.

Another example of income that you may or may not exclude is a 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.