



INNOVATIVE THINKING. EFFECTIVE SOLUTIONS.

Mellon Johnson Reardon, LLP  
Certified Public Accountants & Advisors



3270 Inland Empire Blvd, Ste 300  
Ontario, CA 91764-5580  
Tel: (909) 985-7286  
Fax: (909) 982-0487  
info@mjrccpas.com  
www.mjrccpas.com

## Taxable or Non-Taxable Income?

Although most income you receive is taxable and must be reported on your federal income tax return, there are some instances when income may not be taxable.

The IRS offers the following list of items that do not have to be included as taxable income:

- Adoption expense reimbursements for qualifying expenses
- Child support payments
- Gifts, bequests and inheritances
- Workers' compensation benefits (some exceptions may apply; see Publication 525, Taxable and Nontaxable Income)
- 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

Some income may be taxable under certain circumstances, but not taxable in other situations. Examples of items that may or may not be included in your taxable income are:

- **Life insurance** 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, which were paid to you because of the insured person's death, are generally not taxable unless the policy was turned over to you for a price.
- **Scholarship or fellowship grant** If you are a candidate for a degree, you can exclude from income amounts you receive as a qualified scholarship or fellowship. Amounts used for room and board do not qualify for the exclusion.
- **Non-cash income** Taxable income may be in a form other than cash. One example of this 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.

All other items—including income such as wages, salaries, tips and unemployment compensation — are fully taxable and must be included in your income unless it is specifically excluded by law.

These examples are not all-inclusive. For more information, see [Publication 525](#), Taxable and Nontaxable Income or at the IRS.gov website or by calling the IRS at 800-TAX-FORM (800-829-3676).

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