

WHAT INCOME IS TAXABLE? NONTAXABLE? IRS Tax Tip 2006-29

Generally, most income you receive is taxable. But there are some situations when 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 that are not included in your income are:

- **Adoption Expense Reimbursements** for qualifying 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

Examples of items that may or may not be included in your 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 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.
- **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.

These examples are not all-inclusive. For more information, visit the IRS Web site at IRS.gov to view or download Publication 525 from the Forms and Publications section or call 1-800-TAX-FORM (1-800-829-3676).

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