

# WHAT INCOME IS AND IS NOT TAXABLE

Is all the income one receives from all sources subject to the same Federal income tax? No, says The Michigan Association of Certified Public Accountants. Some types of income are exempt from taxation, while others are taxed at a rate different from that for ordinary income:

The MACPA says the types of income to be included with salary and wages as part of one's adjusted gross income include:

Tips, bonuses, commissions and incentive payments.

Dividends (except for the first \$100 and except for so-called dividends on insurance policies; which are actually rebates of premiums and not taxable).

Supplemental payments by one's employer under a guaranteed annual wage plan.

Interest received on bank deposits, loans, etc.

Casualty or health insurance benefits over the amount of loss or the cost of treating the illness.

Gambling winnings and prizes won in contests (after subtracting gambling losses and the costs of participating in the contests, including the costs of purchasing Michigan lottery tickets; and for this reason unlucky lottery stubs should be saved.) Michigan lottery winnings, although subject to Federal Income Tax, are exempt from Michigan State and City income taxes.

Short-term capital gains on invest-

ments sold after being held six months or less.

One half of long-term capital gains (realized on the sale of investments held longer than six months).

The CPAs say that, with certain exceptions, the types of income that can be excluded from one's adjusted gross income on tax returns include:

Salary or wages up to \$20,000 earned outside the United States if the taxpayer was a bona fide foreign resident for the entire taxable year.

Sick pay up to \$100 a week if one's employer has an established wage continuation plan.

Social Security benefits.

That portion of retirement income resulting from one's own contributions to a pension fund, if the money contributed was taxed before being paid in.

Food and lodging provided by an employer, if it was for his convenience.

Unemployment Insurance Act or the program for Federal employees.

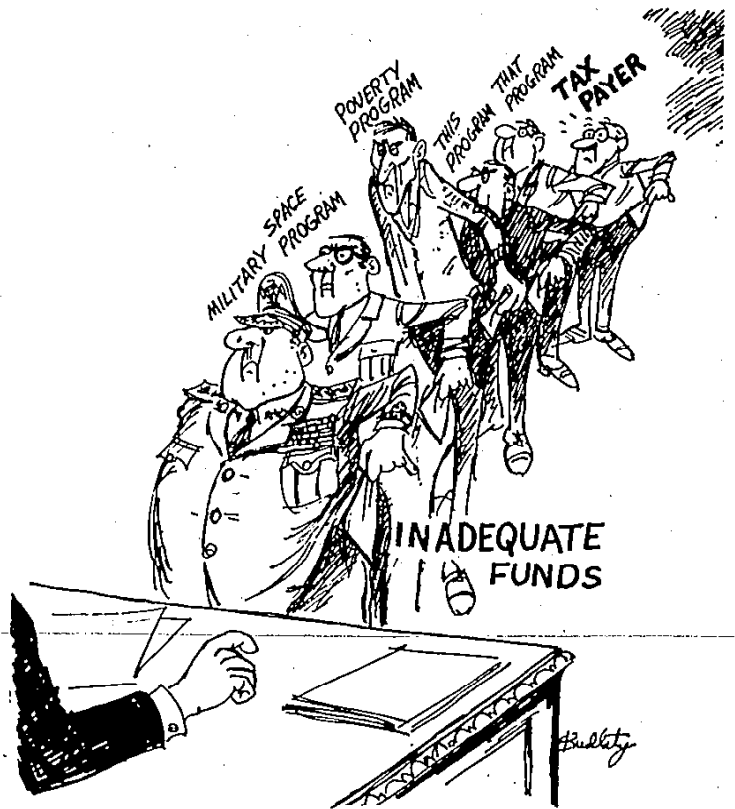
Strike benefits paid by a union under certain conditions.

Legacies. (Estate taxes are paid by the estate.)

Gifts or prizes that did not require the recipient's participation or the payment of a fee.

The Michigan Association of CPAs advises that, because of the many qualifications attached to some of these exclusions, care should be taken in claiming them.

## Financial Report



## So you want to sell your House!

We recommend you study and save this fact sheet which will answer many questions and assist you in conducting your real estate transactions properly, and with confidence.

