

What You Need to Know about Taxable and Non-Taxable Income

All income is taxable unless a law specifically says it isn't. Here are some basic rules you should know to help you file an accurate tax return:

- **Taxable income.** Taxable income includes money you earn, like wages and tips. It also includes bartering, an exchange of property or services. The fair market value of property or services received is normally taxable.

Some types of income are not taxable except under certain conditions, including:

- **Life insurance.** Proceeds paid to you upon the death of an insured person are usually not taxable. However, if you redeem a life insurance policy for cash, any amount you get that is more than the cost of the policy is taxable.
- **Qualified scholarship.** In most cases, income from a scholarship is not taxable. This includes amounts used for certain costs, such as tuition and required books. On the other hand, amounts you use for room and board are taxable.
- **Other income tax refunds.** State or local income tax refunds may be taxable. You should receive a Form 1099-G from the agency that paid you. They may have sent the form by mail or electronically. Contact them to find out how to get the form. Report any taxable refund you got even if you did not receive Form 1099-G.

Here are some items that are usually not taxable:

- **Gifts and inheritances**
- **Child support payments**
- **Welfare benefits**
- **Damage awards for physical injury or sickness**
- **Cash rebates from a dealer or manufacturer for an item you buy**
- **Reimbursements for qualified adoption expenses**

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