What's Taxable? What's Not?

People are receiving money from all sorts of sources these days: unemployment compensation because they're out of work, government stimulus checks, bartered services with other service providers—and how do you know what is taxable, and what is not?   A recent article outlines different types of compensation and whether or not you should include them on your tax return.

The first: unemployment compensation. You may be surprised to learn that unemployment insurance payments, even if they stem from the pandemic fund, have to be reported as taxable income. Future legislation may change that, but for now: taxable.

The value of free services you received, even if you bartered for them, is also taxable. So is jury duty pay, taxable as ordinary income. Prizes received must be reported as ordinary income using the fair market value of the item received—a surprise to contestants on game shows. Alimony is a mixed bag. For divorce decrees prior to 2019, the money is taxable to the person who receives it, and deductible to the person who pays it. For divorces taking place after January 2019, alimony is neither deductible by the person by the person who paid it nor deemed additional income by the person receiving it.

Not taxable: the stimulus checks themselves, child support payments and life insurance proceeds. The article also notes that any income you might have received from illegal activities—including the fair market value of anything you stole on the date you stole it, should also be included on your tax form. We're going to go out on a limb and assume that provision doesn't apply to you.

Source:

https://www.hermoney.com/borrow/credit-scores/credit-coronavirus-how-profile-score-changed/

About the advisor: Jeff Broadhurst is a wealth manager at Broadhurst Financial Advisors, Inc. He focuses on providing wealth management solutions to business owners and family stewards in the Philadelphia area. Together with his partners, he helps affluent clients address their five biggest concerns:

1. Preserving their wealth
2. Mitigating taxes
3. Taking care of their heirs
4. Ensuring their assets are not unjustly taken
5. Charitable giving.

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