



2015

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Is This Gross Income?

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on behalf of the
National Association of Enrolled Agents

NAEA

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Start at the Very Beginning...

- Our calculations begin with gross income
- § 6012(a)(1) " ... returns are required for every individual whose gross income equals or exceeds ..."

Form 1040 U.S. Individual Income Tax Return 2014. The form includes sections for Filing Status, Exemptions, and Income. The Filing Status section includes options for Single, Married filing jointly, Married filing separately, and Qualifying widow(er) with dependent child. The Exemptions section includes options for Yourself, Spouse, and Dependents. The Income section includes categories such as Wages, salaries, tips, etc.; Taxable interest; Tax-exempt interest; Ordinary dividends; and Qualified dividends.



Gross Income & Title 26

- Section 61
 - §61(a) "Except as otherwise provided ... gross income means all income from whatever source derived ..."
 - Reg. §1.61-1 "Gross income means all income from whatever source derived, unless excluded by law."



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Gross Income & the Courts

- *Glenshaw Glass* 348 U.S. 426 (1955)
 - §61(a) provides a broad definition - Congress intended to exert "the full measure of its taxing power"
 - "...accessions to wealth, clearly realized, and over which the taxpayers have complete dominion."
 - Distilled to its essence: broad inclusion of income



Gross Income & the Courts (cont.)

- *Schleier* 515 U.S. 323 (1995)
 - The Court opined: “We have also emphasized the corollary to Section 61(a)’s broad construction, namely the ‘default rule of statutory interpretation that exclusions from income must be narrowly construed’.”
 - Distilled to its essence: narrow exclusions from income

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Exclusions & Title 26

- § 103(a) "... gross income does not include interest on any State or local bond."
- § 104(a) "...gross income does not include the value of property acquired by gift..."
- § 117(a) "...gross income does not include any amount received as a qualified scholarship..."



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Pop Quiz

- Don't panic!
- Twelve scenarios
- Answer the following question
 - How much gross income (if any) does each taxpayer have?



Pop Quiz: question 2

- Bobby suffers a physical injury in a sailing accident
- Punitive damages = \$250,000





Pop Quiz: question 3

- Carlos is on vacation
- He finds \$500 under his beach blanket



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Pop Quiz: question 4

- D'Sean's employer pays \$300 in premiums for group term life insurance
- The group term life insurance has a death benefit of \$45,000

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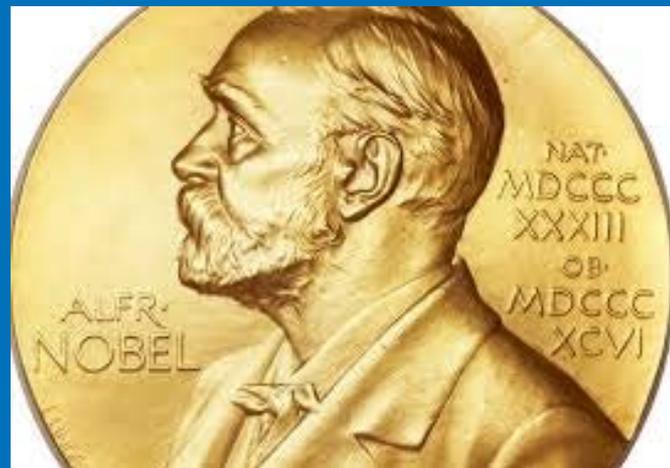
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Pop Quiz: question 5

- Eileen was awarded \$800,000 as a Nobel Prize in medicine
 - Selected without action on her part
 - Performed no services
 - Used full amount to continue her cancer research





Pop Quiz: question 6

- Fernando suffered severe physical injuries in a car accident
- Awarded:
 - \$300,000 compensatory damages
 - \$200,000 emotional distress

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Pop Quiz: question 8

- Hal won an age discrimination suit
- Awarded:
 - \$20,000 compensatory damages
 - \$15,000 punitive damages
 - \$8,000 emotional distress
- Hal paid his psychiatrist \$2,000 for emotional distress treatment prior to award

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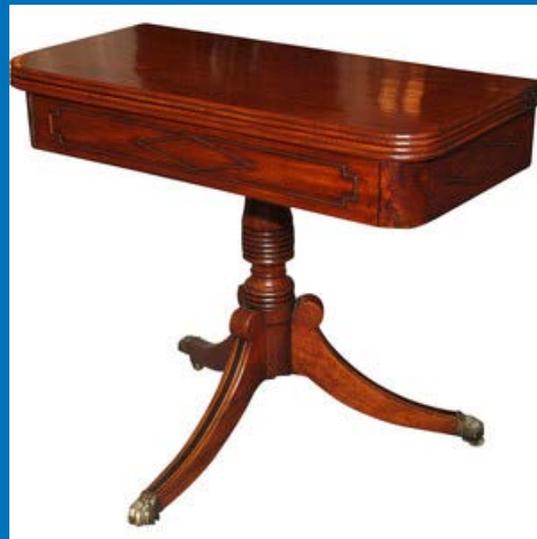
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Pop Quiz: question 9

- India bought a \$100 game table at a tag sale
- She later found
 - it had belonged to President Bush (41)
 - a note from President Clinton wedged in drawer
- FMV
 - of table = \$1,500
 - of note = \$550





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Pop Quiz: question 10

- Jermaine was given a bicycle during his employer's annual qualified achievement awards program
- The bike
 - cost the employer \$1,200
 - had a FMV of \$1,700



Pop Quiz: question 11

- Kirk received a parcel of land in 1999 as a gift from his Aunt Gertrude
- On the date of the gift:
 - Aunt Gertrude's AB = \$45,000
 - FMV = \$37,000
 - Due to prior gifting, gift tax of \$1,000 paid on transfer
- Kirk sells land for \$50,000



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Pop Quiz: question 12

- Nichelle received \$10,000 for pain and suffering incurred in process of providing human eggs for an infertile couple



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Wrap-up

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