

Taxable Income

Includes, but is not limited to:

- Wages, salaries, tips and other compensation – based on qualifying wages usually found in Box 5 of the W-2 Form.
- Gambling winnings (Losses are not allowed unless taxpayer is established as a 'Professional Gambler' by the IRS and files a Federal Schedule C)
- Lottery winnings, prizes, awards
- Schedule C profits
- Schedule E profits, which include rental, estate and partnership pass-thru income; **pass-thru S-Corp income is not taxable, S-Corp losses are not used to offset other business income.**
- Short term disability
- Schedule F profits
- Severance pay / pay-out for retirement
- Stock option income when exercised and shown on W-2 form in Box 5
- Non-qualified income is taxable until received by the taxpayer. (Not taxable when showing in Box 11 of W-2, but not in Box 5 Medicare wages)
- Deferred compensation income
- Third party sick pay – (Short term disability- shows in Box 5)
- Covenant not-to-compete income (non-compete agreement)
- Wages paid to Non-combat military/civilian personnel
- Royalty income – from the ground (oil, gas, mineral rights)
- Cost of Group Term Life Insurance over \$50,000
- Punitive damages received from a legal settlement
- Depreciation recapture, Business returns when propert(ies) / equipment sold
- Restricted Stock Units at the time of vesting, not when exercised (income will be included in Box 5 Medicare wages)

Lawsuit Awards

Trustee Fees

Non-Taxable Income

(see Tax Ordinance under 'Exceptions')

- Active Military pay and allowances received as a member of the U.S. Armed Forces
- Alimony / Child Support
- Capital gains
- Interest
- Dividends
- Social Security benefits
- Workers' Compensation
- State unemployment benefits
- Insurance benefits
- Income of religious, fraternal, charitable, scientific, literary or educational institutions to the extent that such income is derived from tax-exempt real estate, tax-exempt tangible or intangible property or tax-exempt activities; housing allowance
- Welfare payments
- Pass-thru S-Corp income/losses (Schedule E)
- Pension income - includes lump sum distributions
- Patent and copyright income
- Annuities - at time of distribution
- Profit sharing from qualified plans
- Cafeteria Plans
- Cancellation of Debt
- Scholarships/stipends for educational expenses
- Health care contributions (HSA, etc.) Health care paid by employer on behalf of employee or owner-employee is not taxable
- Monies earned as Poll Worker or for Jury Duty
- Non-qualified plan (shown in Box 11 of W-2 form)
- Long-term disability
- 1099 – R, 1099 – INT, 1099 – DIV

Notes:

No credit allowed for County taxes, School district taxes.

State of Indiana based on muni-government – county based – no local city taxes

W-2 forms from State of Kentucky - where Box 18 is higher than Box 5 on the W-2, this may be due to the fact that Kentucky taxes certain income that Ohio does not, such as the amount that the employee pays for health insurance. Typically this income is taxed at the local level. Montgomery will base tax on the higher of Box 18 and Box 5