Introduction

The purpose of this study is to identify and explain the inclusions and exclusions to and from gross income as reported on Form 1040, the Individual Federal Income Tax Return. Gross income is the starting point in calculating taxable income which is the amount subject to tax. Gross income is defined by Section 61(a) of the Internal Revenue Code as all income from whatever source derived, reduced by certain specific items. This research project is designed to explain the principles used to determine who is taxed on a particular item of income, when the item is taxable, whether or not an item is considered as income, and what conditions must be met to include the item(s) in gross income. It will also discuss compliance and procedural considerations for inclusions and exclusions of gross income.

Items to include in a Gross Income

- Compensation
- Business Income
- Gains from dealing property
- Interest
- Rents and Royalties
- Dividends
- Pensions and Annuities
- Income from endowment contracts
- Income from discharge of indebtedness
- Income from partnership and s cooperation
- Unemployment benefits
- Social security benefits

Items to exclude in a Gross Income

- Unrealized income
- Self-help income
- Rental value of personal use property
- Gross selling price of property

Conclusions

Gross Income includes individual’s total pay from his or her employer before taxes or other deductions. This includes all sources and is not limited to income received in cash. Gross income is an important indicator of business financial performance. Gross income represents the effectiveness of a business operation. The operation here is the day-to-day activities of what the company produces and sells.

References

- [Image, CC-BY-SA](#)
- [www.taxfoundation.com](#)
- [www.toondoo.com](#)