

FEDERAL SYSTEM: GROSS INCOME →“AGI”→“TAXABLE INCOME”

TALKING POINTS

A. Gross Income (Broadly Construed W/ Statutory Exclusions)

1. Examples of Exclusions:

- a) Life insurance
- b) Physical Personal Injury Awards
- c) Employer Tax-Free Fringe Benefits
- d) Like-Kind Exchanges
- e) Home-Sale Exclusion
- f) Social Security Benefits

B. §62 “Above-The-Line Deductions” (Generally Business-Related)

- 1. Examples of Business Related Expenses: Business Interest, Travel, Wages, Rent, Depreciation
- 2. Examples of Non-Business Related Expenses : Alimony, Qualified Education Expenses, Qualified Student Loan Interest, IRA Contributions

C. §63 “Below-The-Line” (Itemized) Deductions (Generally Non-Business-Related)

- 1. Examples: Home Interest, Charitable Contributions, State & Local Taxes, Medical Expenses, Unreimbursed Employee Business Expenses

D. Itemized Deduction Phase-Outs

- 1. §67 (Miscellaneous Itemized 2% Rule)
- 2. § 68 (3 % Rule)