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TO: All County Trustees, City Collecting Officials, and Tax Relief Staff

FROM: Stephanie Maxwell, General Counsel 

DATE: December 9, 2019

RE: **COUNTING INCOME FOR TAX RELIEF AND TAX FREEZE**

This bulletin is meant to supersede the following bulletins: Bulletins 2008-01, 2009-01, 2009-04, and 2010-01.

When determining income, the following income sources are to be counted unless there is a specific deduction provided:

1. Social security payments after the Medicare deduction
2. Social security disability after the Medicare deduction
3. Supplemental security income
4. Retirement and pension benefits after deduction of healthcare insurance premiums
 - a. Look to the amount listed in box 4b of IRS Form 1040.
 - b. For healthcare insurance premiums, the applicant may provide proof of health insurance premiums paid to deduct from the amount in line 4b.
5. Veteran's benefits
6. Worker's compensation
7. Unemployment compensation
8. Salaries and wages
9. Alimony
10. Total interest
 - a. The rules for both the tax relief and tax freeze programs provide that "[a]nnual income shall include ... **total interest**..." Rule 0600-03-.08(3) and Rule 0600-09-.06(3). All interest, whether such interest is taxable or not, shall be counted. When using an IRS Form 1040, boxes 2b (taxable interest) and 2a (tax-exempt interest) must be counted as income for both programs.
11. Total dividends
 - a. Box 1a of IRS Form 1099-DIV is where total ordinary dividends are reported. This amount is then reported in box 3b of IRS Form 1040. The total amount of ordinary dividends found in box 1a of 1099-DIV or in box 3b of Form 1040 is counted as income. However, any amount found in box 1b of Form 1099-DIV or in box 3a of

Form 1040 (which refer to qualified dividends) is not to be counted as income, as this amount is already included in total ordinary dividends found in box 1a of Form 1099-DIV or box 3b of Form 1040.

Income sources where only the net income or loss after expenses is counted

Only include the net income or loss after expenses for the following sources of income: business, farm, rental property, estate settlement, sale of securities, or other comparable source. The applicant must provide documentation of loss (i.e., losses must be claimed on the federal income tax return).

Income sources that are NOT considered income and are not to be counted

The following sources are not considered income and are not to be counted: gain or loss from the sale of a principal residence, Temporary Assistance for Needy Families, Supplemental Nutrition Assistance Program, child support, and U.S. Department of Veterans Affairs Aid and Attendance. In addition, any portion of social security income, railroad retirement benefits, or U.S. Department of Veterans Affairs benefits required to be paid to a nursing home for the care of the taxpayer or the taxpayer's spouse or co-owner(s) shall not be considered income.

Additional sources of income

If there is a source of income which is not specified above, then use the federal income tax requirements for determining income. If the source or part of the source is considered income by the IRS, then it will be counted.

NOTE: Money received from a reverse mortgage is not considered income by the IRS and therefore would not be counted as income for tax relief or tax freeze.

Adjusted Gross Income

The rules for the tax relief and tax freeze programs state that “[w]hen determining the income using a tax return, the adjusted gross income amount is used.” Rule 0600-03-.08(3) and Rule 0600-09-.06(3). If an amount is included in adjusted gross income, then it is to be counted unless the income source is specifically excluded by statute or rule. The taxpayer is permitted to use those deductions found in lines 23 through 35 on IRS Schedule 1 to Form 1040. Lines 23 through 35 are added together with the total amount for deductions found in line 36. When all income is counted, you must then subtract the total deductions found in line 36 to arrive at total income for tax relief and tax freeze purposes.

The use of Code 4 – Death Benefits on IRS Form 1099-R

The rules for the tax relief and tax freeze programs provide that “[a]nnual income from all sources shall include ... retirement and pension benefits after deduction of healthcare insurance

premiums...” Rule 0600-03-.08(3) and Rule 0600-09-.06(3). If any applicant receives this type of benefit, including an annuity, it is counted as income. If the applicant is receiving this benefit and the distribution code on the IRS Form 1099-R states “4-Death Benefit”, it is still income.