

Appendix N.

Michigan IDA Program

Determining Earned Income

According to the Internal Revenue Service, Department of the Treasury, earned income includes all of the taxable income your clients receive from working. Income that is not taxable generally does not count as earned income. Following are the most common types of earned income published in 2002 by the IRS.

Earned Income Includes:

- Taxable wages, salaries and tips, including work study income and Americorps stipends
- Net earnings from self-employment
- Gross income received as statutory employee

Earned Income Does *Not* Include:

- Interest and dividends
- Pensions and annuities
- Social security and railroad retirement benefits
- Alimony and child support
- Welfare benefits
- Worker's compensation benefits
- Unemployment compensation (insurance)
- Veterans' benefits, including VA rehabilitation payments
- Certain workfare payments
- Earnings by one spouse treated as belonging to the other under community property laws
- Earning while an inmate in a penal institution
- Salary deferrals, such as contributions to 401(k) plans, Federal Thrift Savings Plan income
- Mandatory contributions to a state or local retirement plan
- Basic housing and subsistence allowances, value of in-kind housing and subsistence, combat zone compensation for the military
- Meals and lodging provided for the convenience of the employer
- Excludable employer-provided benefits such as dependent care, adoption and educational assistance benefits
- Any other item of value (money, goods or services) that is not taxable that is received for their work

Source: <http://www.irs.gov/individuals/article/0,,id=176508,00.html>