

NORTHERN LEHIGH  
SCHOOL DISTRICT

ADMINISTRATIVE  
REGULATION

EARNED INCOME AND PROFITS TAX

Taxable Income: The items of compensation listed below are taxable.

1. Salaries
2. Wages
3. Commissions
4. Bonuses
5. Tips
6. Stipends
7. Fees
8. Incentive Payments
9. Drawing Accounts (if amounts received as a drawing account exceed the salaries or commissions earned, the tax is payable on the amounts received. If the employee subsequently repays to the employer any amounts not in fact earned, the tax shall be adjusted accordingly)
10. Benefits Accruing From the Employment, such as: annual leave, vacation, holiday, separation, and sabbatical leave, and payments from union health and welfare benefit funds
11. Income from patents and royalties
12. Compensation received in the form of property shall be taxed at its fair market value at the time of receipt
13. Jury Duty
14. Payments received from weekend meetings for National Guard or Reserve Units
15. Sick Pay, if employee received a regular salary during period of sickness or disability by virtue of his/her agreement of employment
16. Taxes assumed by the employer.

Non-taxable Income:

1. Social Security Benefits
2. Unemployment Compensation
3. Pensions
4. Public Assistance
5. Death Benefits
6. Gifts
7. Interest
8. Dividends
9. Board and lodging to employees for convenience of employer
10. Lottery Winnings
11. Supplementary unemployment benefits (Sub pay)
12. Capital Gains (Capital losses may not be used as a deduction against other taxable income)
13. Sick or Disability Benefits (Periodical payments received by an individual under a sickness or disability insurance plan)
14. Active military service and summer encampment.

Additional Income:

1. **Rent:** If individuals own properties other than those in which they live and rent them, the net profits derived from these rentals are taxable.
2. **Home Office Expense:** Would be allowable provided a letter is submitted on employer's letterhead stating in detail why office is necessary in order to work for the employer. Letter must be signed by an officer or owner of the company.
3. **Outside Salesperson:** Overnight lodging, mileage, and other necessary business expense is allowed as a deduction, if not reimbursed by employer.
4. **Disallowed Expenses:** (All are considered personal)
  - A. Dues to unions or professional societies

- B. Uniforms and work clothing
  - C. Tuition fees
  - D. Education expenses to achieve certification or to improve earning abilities
  - E. Employment fees
  - F. Moving expenses (not taxable if shown on W-2 as other income).
5. **Construction Workers and Truckdrivers:** Allowable expenses:
- A. Construction worker may use as a deduction, mileage expenses incurred between job sites on the same day.
  - B. Expenses incurred when individual is away from home "overnight". "Overnight", is a time period substantially longer than an ordinary days' work that requires relief from duty to obtain sleep or rest away from home. Both classes of taxpayers should have receipts of lodging. Truck drivers should have log books to support their claim.
  - C. All other expenses disallowed.
6. **Self Employment Loss:** May be deducted from taxpayer's salary or wage. Self employment profit must be added to taxpayer's salary or wage.
7. **Payment to Individual Retirement Programs:** Are not deductible:
- A. Keogh
  - B. Tax Shelter Annuity
  - C. I.R.A.
8. Every person, when requested to do so, must file a final return even if s/he had no earnings, if all tax was withheld or if all tax is due and payable on a final return.
9. Joint returns may not be filed.