

Taxable/Non-Taxable Income for the City of Lancaster

Taxable Income

- Salaries, wages, commissions and other compensation that includes Golden parachute payments, income from guaranteed annual wage contracts and wage-continuation plans (includes retirement incentive plans and buy-outs).
- Allowances for uniforms, automobile and travel.
- Sick pay (premiums paid by employer) and/or vacation pay.
- Income from wage continuation plans unless paid for by employee.
- Stock options – taxed when exercised on amount indicated on W2.
- Cost of group-term life insurance paid by employer for coverage in excess of \$50,000.
- Severance pay.
- Compensation paid in goods, services, property or the use thereof (valued at fair market value).
- Tips.
- Deferred compensation such as contributions made **by or on behalf of** the employee to a tax-deferred annuity; 401k plan contributions, payments into teacher's retirement plans and government retirement plans are examples of taxable deferred compensation.
- Stipends - if work is required (vow of poverty not recognized).
- Bonuses.
- Prizes – if connected with employment.
- Director's fees.
- Income from jury duty.
- Employer paid death benefits.
- Employer provided educational assistance (if taxable under Federal Internal Revenue Act).
- Supplemental unemployment compensation paid by employer.
- Union steward fees.
- Strike benefit paid by company.
- Executor fees.
- Net gains from business activity including farms.
- Income from nonqualified pension plans.
- Moving expense reimbursement.
- Rental income
- Portion of pass-through income to residents from all entities (except S-Corporations) on which Lancaster

tax is not paid at the entity level. No S corporation pass-through income is taxable to Lancaster residents regardless of source.

- Lottery and prize winnings that total for year **exceeds** \$5,000 and if they do, all is taxable.
- Royalties from tangible property

Non-Taxable Income

- Military pay (including National Guard and Reserve Pay).
- Income earned while **under** 16 years of age.
- Income earned as an election poll worker, unless in excess of \$1,000.
- Alimony and child support.
- Contributions made to Section-125 Cafeteria Plan (Pre-tax).
- Income from capital gains or losses.
- Interest.
- Dividends.
- Social Security benefits and disability benefits.
- Workers' Compensation benefits.
- State Unemployment Benefits.
- Insurance benefits – unless connected with employment.
- Lottery and prize winnings if total for year is \$5,000 or less.
- Gambling winnings or prizes not connected with employment.
- Welfare payments.
- Patent and copyright income.
- Pension income – includes lump sum distributions.
- Royalties from intangible property.
- Annuities – at time of distributions.
- Housing allowances for clergy to the extent that the allowance is used to provide a home.
- Short and Long-term disability income not included in box 5 of W2.
- Sick pay (when the premiums are paid by the employee and coded on W2 box 12 with "J")

THIS LIST IS NOT ALL-INCLUSIVE. For questions regarding specific types of income, and whether or not they are taxable / non-taxable to the City of Lancaster, please call 1-740-687-6606. A member of the City of Lancaster Tax Division will be happy to assist. Office hours are 8:00 a.m. to 4:00 p.m. Monday through Friday.