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12 Surprising Items IRS Says You Must Report On Your Taxes

IRS wants to remind you that just about everything is taxed. Sure, your paychecks get totaled on your Form W-2 and winds up on your tax return. But income to the IRS means income from *all* sources. As you get organized for the annual drudgery of filing taxes, don't forget about some of the odder ones.

If you sell unwanted cars, furniture, or even family heirlooms, any gain is taxable. If you sell something for $100 you bought for $50, that's a $50 gain. If you can't prove your basis, IRS will view the whole $100 as income. Maybe its capital gain, but it's still income.

If you are paid in cash to baby sit for your neighbor, take a friend to the airport, or water your uncle's garden, it's taxed. If you trade favors but don't swap cash, IRS says *each* of you is taxed at the market value of the goods or services. Barters and trades are taxed.

Even swapping tickets of even value can trigger tax. Selling for cash certainly does. The fact that scalping may be illegal is no excuse. Same for any other illegal activity. Income is income. Remember, they got Al Capone for tax evasion, not murder.

Gambling winnings are taxed too. If you hit the jackpot or win the lottery, it's all taxed. Taxes are one of the main reasons some people choose to take annual payments when they have that choice. A lump-sum payout can generate a big tax bill.

Prizes and awards are taxed, even if you win a Nobel. They are taxed even if you don't win cash. If you buy raffle tickets and win a car, the cash value of the car is taxed.

If you receive tips on your job, the IRS taxes tips just like everything else. Many fringes from your employer aren't taxed, including small value benefits in the workplace. They includes coffee and pastries, occasional photocopying, occasional entertainment or sports tickets, occasional meal transportation money for working overtime. But these days the IRS is looking hard at benefits it thinks are too big to ignore. Silicon Valley meal benefits could be next.

When you borrow money, you don't have income because you have to pay it back. But if the lender forgives it, you pay tax. COD is short for "cancellation of debt." When a debt you owe is canceled or discharged, the tax code generally treats the canceled debt as income to you. If you owe $500,000 to the bank, but the bank forgives it, it's as if the bank just handed you $500,000 in cash.

Lawsuit recoveries are usually taxed. One big exception is physical injury recoveries. But even there, punitive damages and interest are taxed. Sometimes, if you win a lawsuit, you have to pay the IRS—even on your attorney's fees.

Cash or valuables you find are also taxed. In *Cesarini v. United States*, a man bought a used piano for $15 and found $5,000 in cash inside. When the IRS said it was taxable, Mr. Cesarini went to court. He lost and the IRS won. In 2013, an anonymous couple found $10 million in rare gold coins buried in cans on their property. It was the biggest and best coin discovery in U.S. history. And it was taxed.

For alerts to future tax articles, email me at Wood@WoodLLP.com. This discussion is not legal advice.