



IRS Tax Tip 2014-48: Four Things to Know about Net Investment Income Tax

Internal Revenue Service (IRS) sent this bulletin at 04/04/2014 07:30 AM EDT



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April 4, 2014

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Four Things to Know about Net Investment Income Tax

Starting in 2013, some taxpayers may be subject to the [Net Investment Income Tax](#). You may owe this tax if you have income from investments and your income for the year is more than certain limits. Here are four things from the IRS that you should know about this tax:

1. **Net Investment Income Tax.** The law requires a tax of 3.8 percent on the lesser of either your net investment income or the amount by which your modified adjusted gross income exceeds a threshold amount based on your filing status.
2. **Net investment income.** This amount generally includes income such as:
 - interest
 - dividends
 - capital gains
 - rental and royalty income
 - non-qualified annuities

This list is not all-inclusive. Net investment income normally does not include wages and most self-employment income. It does not include unemployment compensation, Social Security benefits or alimony. Net

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investment income also does not include any gain on the sale of your main home that you exclude from your income.

After you add up your total investment income, you then subtract your deductions that are properly allocable to this income. The result is your net investment income. Refer to the instructions for [Form 8960](#), Net Investment Income Tax for more on how to figure your net investment income or MAGI.

3. Income threshold amounts. You may owe the tax if you have net investment income and your modified adjusted gross income is more than the following amount for your filing status:

| <u>Filing Status</u> <u>Amount</u> | <u>Threshold</u> |
|---------------------------------------|------------------|
| Single or Head of household | \$200,000 |
| Married filing jointly | \$250,000 |
| Married filing separately | \$125,000 |
| Qualifying widow(er) with a child | \$250,000 |

4. How to report. If you owe this tax, you must file [Form 8960](#) with your federal tax return. If you had too little [tax withheld](#) or did not pay enough [estimated taxes](#), you may have to pay an [estimated tax penalty](#).

For more on this topic visit IRS.gov/aca. You can also get tax forms on IRS.gov or by mail by calling 800-TAX-FORM (800-829-3676).

Additional IRS Resources:

- [Questions and Answers on the Net Investment Income Tax](#)
- [Tax Topic 559](#) - Net Investment Income Tax

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