



OKLAHOMA TAX COMMISSION AD VALOREM DIVISION



BULLETIN

Date: January 11, 2012

Bulletin Number 12-02

Subject: Determination of Gross Household Income

DEAR COUNTY ASSESSORS:

In 1998 we were requested by the Assessors Association to develop a review procedure for determination of Gross Household Income. This Bulletin is a reissue of previous OTC Bulletins with updates that conform with current IRS forms.

When determining the amount of gross household income pursuant to eligibility requirements for the Additional Homestead Exemption or Senior Valuation Limitation, OTC Form 994 must be used for the application. If additional income verification is required, the county assessor may request any documentation necessary from the taxpayer. If using Federal Income Tax Returns for verification, the following should be considered.

When using Federal Income Tax Returns:

Use the most recent return. (Return 2010 and after) Be aware on Form 1040 and 1040A Line 6, line numbers may be different depending on the tax year.

Combine income amounts from the following lines of a 2010 Federal Form 1040 and schedules. This list is not all inclusive, but should give you most of the items of gross taxable income.

Form 1040: Line 7 Wages (minus Line 32 IRA deduction); Line 8a Taxable Interest (if no Schedule B); Line 8b Tax exempt interest; Line 9a Dividends; Line 11 Alimony; Line 15b IRA; Line 16b Pensions; Line 19 Unemployment; Line 20a Social Security (or amount from Box 5 of 1099-SSA if nothing reported on Line 20a or 20b); and Line 21 Other income.

Schedule B: Part I, Line 2 Total interest before exclusion from Form 8815.

Schedule C: Line 7 Gross income

- Schedule C-EZ: Line 1 Gross receipts
- Schedule D: Part I, Line 1, Column F Short Term Gains (do not include losses)
Part II, Line 8, Column F Long Term Gains (do not include losses)
- Form 8949: This form goes with the Schedule D, for tax year 2011 only. Each asset will be listed separately, total only the gains (do not include losses).
- Schedule E: Part I, Line 3 Rents received
Line 4 Royalties received
Part II, III & IV – The taxpayer's allocable share of the gross income of the Partnership, S-Corporation, Estate, Trust or REMIC. (this can not be found on the Schedule E, may be on a K-1)
- Schedule F: Line 11 Gross income
- Form 4797: This form goes with a 1040 Return only along with the Schedules.
Part I, Line 2, Column G Gains from property held > 1 year (do not include losses)
Part II, Line 10, Column G Ordinary gains (do not include losses)
- Form 1040A: Use Line 15 (Total Income) minus Line 17 IRA deduction
- Form 1040EZ: Use Line 4 (Adjusted Gross Income)

As to the Form 1040, taking Line 22 and adding back certain gross income amounts from Schedules B, C, D, E, F or Form 4797 does not account for all types of gross household income as outlined in 68 O.S. § 2890. Specifically, include tax exempt bond interest income, Social Security, Pension or another annuity income. 68 O.S. § 2890 requires the inclusion of the aforementioned regardless of their taxability.

Also, it should be pointed out that there are a variety of income items that are not required to be included on a Federal Income Tax Return. Some examples of this include Child Support receipts, Welfare or assistance payments (TANF), Personal injury settlements, Federal Earned Income Credit Refunds, Federal Stimulus Payments, or Federal Economic Recovery Payments and certain state refunds (Sales Tax Relief Credit.)

In summary, utilizing Federal Income Tax Returns will not always accurately reflect actual gross household income. It is difficult to ascertain true gross income without input from the taxpayer as to non taxable or non reportable income.

When requesting income verification from the Tax Commission, OTC Form 996 must be used for each individual request. The application Form 994 signed by the taxpayer must be attached to the request for verification Form 996. The Tax Commission verification is based on Oklahoma Gross Adjusted Income and may not represent actual gross income. If no Oklahoma Income Tax Return was filed, the Tax Commission will be unable to verify the income. Individual income tax records cannot be released under Oklahoma confidentiality statutes.

If we can be of further assistance, please do not hesitate to call our office at (405) 319-8200.

Sincerely,

OKLAHOMA TAX COMMISSION



Kenny Chuculate, Deputy Director
Ad Valorem Tax Division

KC:jb