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**Ken Berry** • Aug. 24, 2017

The IRS can and often will impose tax on workers who don't receive traditional wages from employment-related activities. Here are three of the latest examples culled from the Tax Court files.

A college campus security officer was injured in a car accident unrelated to his job. The injuries forced him to go on temporarily disability. After the school fired him, he sued based on employment discrimination. Eventually, the parties settled the case and the security officer received a tidy amount. But no part of the payout represented compensation for physical injury, so the entire settlement is taxable (Rajcoomar, TC Memo 2017-129, 7/3/17).

Initially, the state of Arizona determined that a taxpayer was eligible to receive unemployment benefits. It paid him unemployment for a three-month period in 2012. But the state backtracked that same year and ruled that he wasn't eligible. Subsequently, the taxpayer repaid the benefits in 2013. Because there was a fixed obligation to repay the benefits in 2012, the taxpayer is taxed on the benefits in that year, even though he repaid the benefits the next year (Yoklic, TC Memo 2017- 143, 7/19/17).

The taxpayer, who was a handyman, was having a tough time paying his monthly rent. He worked out a deal with the landlord to have the rent amount reduced in exchange for doing some maintenance work around the building. The rent offset equaled the value of the services that the handyman provided. Nevertheless, the Tax Court ruled that the handyman owed tax on the "compensation" he received in the form of a rent reduction from the landlord (Welemin, TC Sum. Op. 2017-54, 7/18/17).

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