**8560. What is net investment income?**

 Net investment income is the tax base for the 3.8% net investment income tax (See Q 8559 for a discussion of the computation of the tax). In general, net investment income potentially includes any income other than “earned” income that is subject to social security tax and Medicare tax. Basically, there are 3 categories of net investment income. Pursuant to IRC Section 1411(c)(1), subject to exceptions discussed in Q 8566, the 3 categories of investment income are:

(a) income commonly considered to be traditional investment type income i.e., interest, dividends, annuities, rents and royalties;

(b) gross income derived from a trade or business; and

(c) net gain attributable to the disposition of property.[[1]](#footnote-1)

1. . IRC Sec. 1411(c)(1)(A). [↑](#footnote-ref-1)