What is net investment income?

Net investment income is the tax base for the 3.8% net investment income 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, 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)