

**Tax Tip**  
**Week of September 21, 2009**

**Damages to Individuals under the Age of 21**

If an individual, under the age of twenty one, receives an award for damages for a physical or mental injury, the amounts received are not taxable. In addition to the amounts being received tax free; the following amounts are also not taxable:

- any investment income that was generated by the award
- any capital gains on property that was purchased from the proceeds of the award

If a child has received some type of award for damages, it is important that amounts be tracked so that tax can be avoided on all amounts related to the injury.