

Top Five Tips on Unemployment Benefits

If you lose your job, you may qualify for unemployment benefits. While these payments may come as a relief, it's important to remember that they may be taxable. Here are five key facts about unemployment compensation:

- 1. Unemployment is Taxable.** You must include all unemployment compensation as income for the year. You should receive a Form 1099-G, Certain Government Payments by Jan. 31 of the following year. This form will show the amount paid to you and the amount of any federal income tax withheld.
- 2. Paid Under U.S. or State Law.** There are various types of unemployment compensation. Unemployment includes amounts paid under U.S. or state unemployment compensation laws. For more information, see Publication 525, Taxable and Nontaxable Income.
- 3. Union Benefits May be Taxable.** You must include benefits paid to you from regular union dues in your income. Other rules may apply if you contributed to a special union fund and your contributions to the fund are not deductible. In that case, you only include as income any amount that you got that was more than the contributions you made.
- 4. You May have Tax Withheld.** You can choose to have federal income tax withheld from your unemployment. You can have this done using Form W-4V, Voluntary Withholding Request. If you choose not to have tax withheld, you may need to make estimated tax payments during the year.
- 5. Visit IRS.gov for Help.** If you're facing financial difficulties, you should visit the IRS.gov page: "What Ifs" for Struggling Taxpayers. This page explains the tax effect of events such as job loss. For example, if your income decreased, you may be eligible for certain tax credits, like the Earned Income Tax Credit. If you owe federal taxes and can't pay your bill check the Payments tab on IRS.gov to review your options. In many cases, the IRS can take steps to help ease your financial burden.

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