



Tax Item. Unemployment Compensation

This publication is available on Internet or by fax only.

Include Unemployment Compensation in Income; Form 1099-G

If you received unemployment compensation during the year, you must include it as income on your return. The payer will send you **Form 1099-G, *Certain Government Payments***. Box 1 shows how much unemployment compensation you were paid, and Box 4 shows how much Federal income tax was withheld. The payer will also report these amounts to the Internal Revenue Service.

Tax Withholding and Estimated Tax

Tax Withholding. You can have Federal income tax withheld from your unemployment compensation. To do this, complete **Form W-4V, *Voluntary Withholding Request*** (or a similar form the payer provides), and give it to the payer. Tax will be withheld at 15% of each payment.

Estimated Tax. If you do not have tax withheld from your unemployment compensation, you may be liable for estimated tax. You must make estimated tax payments during the current year if:

- you expect to owe more than a certain amount in tax for the year, after subtracting your withholding and credits (this amount was \$500 in 1997; in 1998 it is \$1,000); **and**
 - you expect your withholding and credits to be less than the smaller of:
 - * 90% of the tax to be shown on the current year's tax return; **or**
 - * 100% of the tax shown on last year's tax return. That return must cover all 12 months.
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Reporting Unemployment Compensation Income

The following benefits all count as unemployment compensation. Your Form 1099-G will show them in Box 1. Report them on Form 1040, line 19; on Form 1040A, line 12; or on Form 1040EZ, line 3.

- Benefits paid by a state or the District of Columbia from the Federal Unemployment Trust Fund.
 - Unemployment insurance benefits.
 - Railroad unemployment compensation benefits.
 - Disability payments from a government program paid as a *substitute* for unemployment compensation. **Caution:** Amounts received as workers' compensation for injuries or illness are **not** unemployment compensation.
 - Trade readjustment allowances under the Trade Act of 1974.
 - Benefits under the Airline Deregulation Act of 1978.
 - Unemployment assistance under the Disaster Relief Act Amendments of 1974.
 - Payments you received from a governmental unemployment compensation
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program if you:

- * contributed to the program,
- * could not deduct your payments, and
- * received back all your contributions.

Include as unemployment compensation only the amount you received after you recovered the contributions you had made to the program.

**If You Repaid
Unemployment
Compensation**

If, in 1997, you repaid unemployment compensation benefits that you got in 1997, subtract the amount you repaid from the total amount you got. Enter the difference on Form 1040, line 19; on Form 1040A, line 12, or on Form 1040EZ, line 3. Also write "Repaid" and the amount you repaid on the dotted line beside your entry.

If you repaid benefits in 1997 that you got in an earlier year, and your repayment was \$3,000 or less, you may deduct the amount repaid on **Schedule A (Form 1040), Itemized Deductions**, line 22. If you repaid more than \$3,000 of benefits you received in an earlier year, see **Publication 2190 (Cat. No. 24735E)** in this Internet/fax series of tax items. The title is *Deduction or Credit for Amounts You Repaid*. Or, you may see Repayments in **Publication 525, Taxable and Nontaxable Income**.

**Reporting
Certain Other
Benefits**

The following chart shows how to report certain other benefits if you receive them:

Reporting Other Benefits	
IF you received benefits from:	THEN report the benefits on:
A company-financed plan to which you did not contribute (supplemental benefits).	Form 1040 or 1040A, line 7. The amount is subject to income tax withholding, but not social security, Medicare, or federal unemployment taxes.
Your employer, who paid you during periods of unemployment under a union agreement that guarantees you full pay during the year.	Form 1040 or 1040A, line 7; or Form 1040EZ, line 1.
A private unemployment fund to which you contributed.	Form 1040, line 21. Report only the part that exceeds your contributions into the fund.
A union to which you belong, and the benefits were paid from regular union dues.	Form 1040, line 21.

IF you received benefits from:	THEN report the benefits on:
Your state, and the benefits were: <ul style="list-style-type: none"> ● similar to unemployment benefits under the state law and ● paid to you as a state employee not covered by the state's unemployment compensation law. 	Form 1040, line 21.
An unemployment compensation fund, but the benefits were obtained by fraud.	Form 1040, line 21.
Workers' compensation paid for injuries or illness.	Do not report this amount on your return. Workers' compensation is not taxable.

If You Repaid Supplemental Benefits

If you got supplemental benefits (first box in the Reporting Other Benefits chart), you may have to repay them to qualify for trade readjustment allowances under the Trade Act of 1974. If you repay supplemental benefits:

- In the same year you get them, reduce the total you report by the amount you repay.
- In a later year, report the full amount on your return for the year you get them. Deduct your repayment on your return for the later year.

To deduct your repayment in a later year if it was \$3,000 or less, include it on Form 1040, line 31 (total of adjustments to gross income). Write "Sub-pay TRA" and the amount you repaid on the dotted line beside your entry. If you repaid more than \$3,000, see either Publication 2190 (Cat. No. 24735E) in this Internet/fax series of tax items, or Repayments in Publication 525.

Ordering Publications and Forms

To order free IRS publications and forms, call **1-800-TAX-FORM (1-800-829-3676)**. If you have access to TDD equipment, you can call **1-800-829-4059**. See your tax package for the hours of operation. You can also write to the IRS Forms Distribution Center nearest you. Check your income tax package for the address.

If you have access to a personal computer and a modem, you can download forms and publications from our Website. Your income tax package has more details.