

## Income – Unemployment Compensation

As an AARP Foundation Tax-Aide Counselor, this lesson will help you assist taxpayers who have unemployment compensation payments.

### Learning Objectives

- Identify unemployment compensation income
- Report unemployment income on the tax return

### Getting Started:



Study the associated IRS VITA/TCE Training Guide, Chapter 14.



Open Volunteer Resource Guide, Tab D, and find Unemployment Income

#### Hint from NTTC Modifications to the IRS Training Guide

##### **How do I report repayment of unemployment compensation or other previously taxed income?**

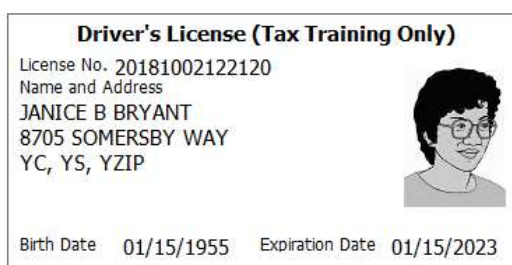
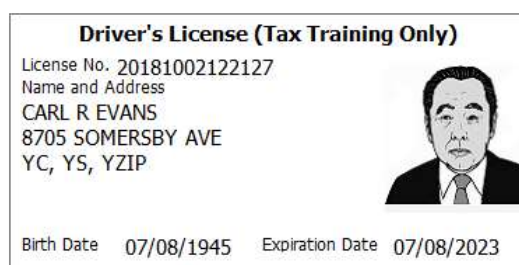
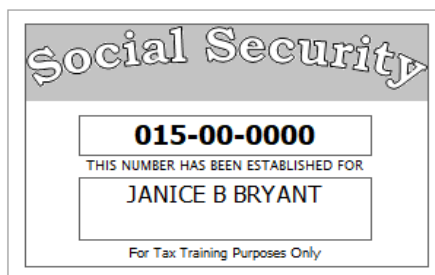
If the taxpayer received unemployment compensation and repaid some of it in the same year, only the net is reported on the tax return.

If the taxpayer received unemployment compensation (or other previously taxed income) in one year and repaid some of it in a later year, the repayment can be deducted on Schedule A (not subject to the 2% of AGI reduction) or a credit can be computed if the repayment amount is more than \$3,000. A repayment of less than \$3,000 provides no tax benefit as deductions subject to the 2% threshold are suspended.

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### Practice Lab

Janice Bryant received Unemployment Compensation



Create the following return in TaxSlayer with the Form 1099-G. Review the Form 1040 and Schedule 1

<input type="checkbox"/> CORRECTED (if checked)				
PAYER'S name, address, city, state, ZIP code STATE EMPLOYMENT COMMISSION STATE CAPITAL ANNEX C YC, YS, YZ		1 Unemployment compensation <div style="text-align: center; font-weight: bold;">\$10,000.00</div>	<div style="font-size: 2em; font-weight: bold;">2018</div> <div style="font-weight: bold;">Form 1099-G</div>	<b>Certain Government Payments</b>
PAYER'S Federal identification number 25-765432X	RECIPIENT'S identification number 015-00-7014	2 State or local income tax refunds, credits or offsets	3 Box 2 amount is for tax year	4 Federal income tax withheld <div style="text-align: center; font-weight: bold;">\$500.00</div>
RECIPIENT'S name, address, city, state, ZIP code CARL R EVANS 8705 SOMERSBY AVE YC, YS, YZIP		5 RTAA payments	6 Taxable grants	
Account number (see instructions)		7 Agriculture payments	8 If checked, box 2 is trade or business income > <input type="checkbox"/>	
		9 Market gain	<b>Copy B For Recipient</b> This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.	
10. State	10b State identification no.	11 State income tax withheld		
Form <b>1099-G</b>				

Find answers in the file: *Answers to Practice Lab Self-Study Exercises* in the Self-Study 2018>H. Answers, etc. Module.

## Income – Unemployment Compensation

### *Learning Review*

#### Unemployment Income

1. Generally, unemployment income is reported to the IRS and the taxpayer on what Form?	
2. True or False: The IRS considers unemployment to be unearned income.	

#### **Feedback:**

Please email: [selfstudy@aarpdfntaxaide.org](mailto:selfstudy@aarpdfntaxaide.org). Appreciate suggestions and comments.

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### Answers to Learning Review

1. Form 1099-G
2. True. The IRS considers unemployment income to be unearned. (Pub 4012, Tab I-1)