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## Four Tips on Reporting Unemployment Benefits

Unemployment can be stressful enough without having to figure out the tax treatment of the unemployment benefits you receive.

Unemployment compensation generally includes, among other forms, state unemployment compensation benefits, but the tax implications depend on the type of program paying the benefits. You must report unemployment compensation on line 19 of Form 1040, line 13 of Form 1040A, or line 3 of Form 1040EZ.

Here are four tips from the IRS about unemployment benefits.

1. You must include all unemployment compensation you receive in your total income for the year. You should receive a Form 1099-G, with the total unemployment compensation paid to you shown in box 1.

2. Other types of unemployment benefits include:

- Benefits paid by a state or the District of Columbia from the Federal Unemployment Trust Fund
- Railroad unemployment compensation benefits
- Disability payments from a government program paid as a substitute for unemployment compensation
- Trade readjustment allowances under the Trade Act of 1974
- Unemployment assistance under the Disaster Relief and Emergency Assistance Act

For complete information on each of the benefits listed, see chapter 12 in IRS Publication 17, Your Federal Income Tax, or Publication 525, Taxable and Nontaxable Income.

3. You must report benefits paid to you as an unemployed member of a union from regular union dues. However, if you contribute to a special union fund and your payments to the fund are not deductible, you only need to include in your income the unemployment benefits that exceed the amount of your contributions.

4. You can choose to have federal income tax withheld from your unemployment compensation. To make this choice, complete Form W-4V, Voluntary Withholding Request, and give it to the paying office. Tax will be withheld at 10 percent of your payment. If you choose not to have tax withheld, you may have to make estimated tax payments throughout the year.

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