

## IRS Tax Tip 2010-29

Taxpayers who received unemployment benefits in 2009 are entitled to a special tax break when they file their 2009 federal tax returns. This tax break is part of the American Recovery and Reinvestment Act of 2009.

Here are five important facts the Internal Revenue Service wants you to know about your unemployment benefits.

1. Unemployment compensation generally includes any amounts received under the unemployment compensation laws of the United States or of a specific state. It includes state unemployment insurance benefits, railroad unemployment compensation benefits and benefits paid to you by a state or the District of Columbia from the Federal Unemployment Trust Fund. It does not include worker's compensation.
2. Normally, unemployment benefits are taxable; however, under the Recovery Act, every person who receives unemployment benefits during 2009 is eligible to exclude the first \$2,400 of these benefits when they file their federal tax return.
3. For a married couple, if each spouse received unemployment compensation then each is eligible to exclude the first \$2,400 of benefits.
4. You should receive a Form 1099-G, Certain Government Payments, which shows the total unemployment compensation paid to you in 2009 in box 1.
5. You must subtract \$2,400 from the amount in box 1 of Form 1099-G to figure how much of your unemployment compensation is taxable and must be reported on your federal tax return. Do not enter less than zero.

For more information, visit [IRS.gov/recovery](http://IRS.gov/recovery).