



Instructions for Form 1099-G

Section references are to the Internal Revenue Code unless otherwise noted.

What's New

Market gain reporting. Instructions have been added for new box 9 on Form 1099-G for reporting market gain associated with the repayment of Commodity Credit Corporation (CCC) loans.

Reminder

In addition to these specific instructions, you should also use the 2009 General Instructions for Forms 1099, 1098, 3921, 3922, 5498, and W-2G. Those general instructions include information about the following topics.

- Backup withholding.
- Electronic reporting requirements.
- Penalties.
- Who must file (nominee/middleman).
- When and where to file.
- Taxpayer identification numbers.
- Statements to recipients.
- Corrected and void returns.
- Other general topics.

You can get the general instructions from the IRS website at www.irs.gov or by calling 1-800-TAX-FORM (1-800-829-3676).

Specific Instructions

File Form 1099-G, Certain Government Payments, if, as a unit of a federal, state, or local government, you made payments of unemployment compensation; state or local income tax refunds, credits, or offsets; alternative trade adjustment assistance (ATAA) payments; taxable grants; or agricultural payments. You must also file this form if you received payments on a CCC loan. The officer or employee of the government unit having control of the payments, received or made, (or the designated officer or employee) must file Form 1099-G.

Statements to Recipients

If you are required to file Form 1099-G, you must provide the same information to the recipient. Furnish a copy of Form 1099-G or an acceptable substitute statement to each recipient, except as explained below under *Box 2. State or Local Income Tax Refunds, Credits, or Offsets*. Also, see part M in the 2009 General Instructions for Forms 1099, 1098, 3921, 3922, 5498, and W-2G.

Account Number

The account number is required if you have multiple accounts for a recipient for whom you are filing more than one Form 1099-G. Additionally, the IRS encourages you to designate an account number for all Forms 1099-G that you file. See part L in the 2009 General Instructions for Forms 1099, 1098, 3921, 3922, 5498, and W-2G.

Box 1. Unemployment Compensation

Enter payments of \$10 or more in unemployment compensation including Railroad Retirement Board payments for unemployment. If you make payments from a contributory program that has been deemed to be in the nature of unemployment compensation, such as California's Family Temporary Disability Insurance payments, file a separate Form 1099-G for payments from each contributory program. Enter the total amount before any income tax was withheld. If you withhold federal income tax at the request of the recipient, enter it in box 4.

Box 2. State or Local Income Tax Refunds, Credits, or Offsets

Enter refunds, credits, or offsets of state or local income tax of \$10 or more you made to recipients. If recipients deducted the tax paid to a state or local government on their federal income tax returns, any refunds, credits, or offsets may be taxable to them. You are not required to furnish a copy of Form 1099-G or a substitute statement to the recipient if you can determine that the recipient did not claim itemized deductions on the recipient's federal income tax return for the tax year giving rise to the refund, credit, or offset. However, you must file Form 1099-G with the IRS in all cases.

A tax on dividends, a tax on net gains from the sale or exchange of a capital asset, and a tax on the net taxable income of an unincorporated business are taxes on gain or profit rather than on gross receipts. Therefore, they are income taxes, and any refund, credit, or offset of \$10 or more of these taxes is reportable on Form 1099-G. In the case of the dividends tax and the capital gains tax, if you determine that the recipient did not itemize deductions, as explained above, you are not required to furnish a Form 1099-G or substitute statement to the recipient. However, in the case of the tax on unincorporated businesses, you must furnish a Form 1099-G or substitute statement to the recipient in all cases, as this is a tax that applies exclusively to income from a trade or business. See *Box 8. Trade or Business Income (Checkbox)* below and Rev. Rul. 86-140, 1986-2 C.B. 195.

If you pay interest of \$600 or more on the refund, you must file Form 1099-INT, Interest Income, and furnish a statement to the recipient. For interest payments of less than \$600, you may choose to enter the amount with an appropriate designation such as "Interest Income" in the blank box on Copy B of the Form 1099-G.

Box 3. Box 2 Amount Is For Tax Year

No entry is required in box 3 if the refund, credit, or offset is for the 2008 tax year. If it is for any other tax year, enter the year for which the refund, credit, or offset was made. Also, if the refunds, credits, or offsets are for more than 1 tax year, report the amount for each year on a separate Form 1099-G. Use the format "YYYY" to make the entry in this box. For example, enter 2007, not '07.

Box 4. Federal Income Tax Withheld

Backup withholding. Enter backup withholding at a 28% rate on payments required to be reported in box 6 or 7. For example, if a recipient does not furnish its taxpayer identification number (TIN) to you, you must backup withhold.

Voluntary withholding. Enter any voluntary federal withholding on unemployment compensation, CCC loans, and certain crop disaster payments. If you withheld state income tax, you may label it and report it on the statement to the recipient. However, you are not required to report state withholding to the IRS.

Box 5. ATAA Payments

Enter ATAA payments of \$600 or more that you paid to eligible individuals under the Demonstration Project for Alternative Trade Adjustment Assistance for Older Workers.

Box 6. Taxable Grants

Enter any amount of a taxable grant administered by a federal, state, or local program to provide subsidized energy financing or grants for projects designed to conserve or produce energy, but only with respect to energy property or a dwelling unit located in the United States. Also, enter any amount of a taxable grant administered by an Indian tribal government.

Report amounts of other taxable grants of \$600 or more. A federal grant is ordinarily taxable unless stated otherwise in the legislation authorizing the grant. Do not report scholarship or fellowship grants. See *Scholarships* in the Instructions for Form 1099-MISC.

Box 7. Agriculture Payments

Enter USDA agricultural subsidy payments made during the year. If you are a nominee that received subsidy payments for another person, file Form 1099-G to report the actual owner of the payments, and report the amount of the payments in box 7.

Box 8. Trade or Business Income (Checkbox)

If the amount in box 2 is a refund, credit, or offset attributable to an income tax that applies exclusively to income from a trade or business and is not a tax of general application, enter an "X" in this box.

Box 9. Market Gain

Report market gain associated with the repayment of a CCC loan whether repaid using cash or CCC certificates.