



Gulf Oil Spill: Reporting of Income Replacement Payments for Use in Preparing 2011 Tax Returns

Q. How do I include on my Federal tax return (Form 1040) payments for lost earnings or profits that are reported to me on the 2011 Form 1099-MISC in Box 3?

If you received payments to replace earnings or profits you lost as an employee, include the amount of those payments from Form 1099-MISC Box 3 on your Federal tax return Form 1040 Line 21.

If you received payments to replace earnings or profits you lost as a self-employed individual, include the amount of those payments from Form 1099-MISC Box 3 on your Federal tax return Form 1040 Schedule C Line 1 or Form 1040 Schedule C-EZ Line 1. The net profit or loss from your Schedule C or Schedule C-EZ must be included on Form 1040 Schedule SE.

Note: You may have received payments for reasons other than to replace lost earnings and profits which may be reported to you on Form 1099-MISC in Box 3. Amounts paid for personal physical injuries, physical sickness, or property damage may not be taxable and may not be required to be reported on your Federal tax return. For guidance on including on your Form 1040 other amounts reported to you on Form 1099-MISC in Box 3 or in other boxes on the Form 1099-MISC, see the instructions to Form 1040.

Q. Who can I contact if I need additional assistance?

Additional questions and answers related to the tax treatment of payments received on account of the oil spill can be found at www.irs.gov. Type "Gulf Oil Spill" in the search box. Additional questions can be answered by calling the IRS at 1-866-562-5227.

Every person has unique financial circumstances: The IRS encourages all taxpayers to review their tax situations or talk with their tax preparers about the implications of payments or compensation from the oil spill.

The Taxpayer Advocate Service (TAS) is an independent organization within the IRS. TAS helps taxpayers who are experiencing economic difficulties; taxpayers who are seeking help in resolving problems with the IRS; and those who believe an IRS system or procedure is not working as it should. If you believe you are eligible for TAS assistance, you can reach TAS by calling the TAS toll-free number at 1-877-777-4778 or TTY/TDD 1-800-829-4059. For more information, go to www.irs.gov/advocate.