



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

OFFICE OF THE CHIEF COUNSEL

May 12, 2010

Number: **INFO 2010-0138**

Release Date: 6/25/2010

CONEX-116602-10

UIL: 85.00-00

Dear _____ :

I am responding to your inquiry to Senator Klobuchar. You asked about the amount of tax you owe for 2009 and about the taxability of unemployment compensation. Senator Klobuchar wrote to us on your behalf and asked us to respond directly to you.

Gross income includes unemployment compensation (section 85(a) of the Internal Revenue Code ("Code")). Unemployment compensation is "any amount received under a law of the United States or of a State which is in the nature of unemployment compensation" (section 85(b) of the Code). The legislative history to the Revenue Act of 1978 states that gross income should generally include "... a portion of benefits in the nature of unemployment compensation paid pursuant to government programs." Thus, the Congress intended to include in gross income unemployment-type compensation from government programs.

The American Recovery and Reinvestment Act of 2009 (Public Law 111-5 section 1007) includes a temporary exclusion on the first \$2,400 of unemployment compensation benefits for federal income tax. For 2009 only, the first \$2,400 in unemployment benefits is exempt from federal income taxes. Benefits over this amount are still subject to federal income taxes. The payor of your unemployment compensation should have reported the amounts to you on Form 1099-G, Certain Government Payments.

I have enclosed Form W-4V, Voluntary Withholding Request and Instructions for 2010. If you have not done so already, you may want to submit the Form W-4V to your unemployment compensation payor to request withholding on future unemployment compensation.

The IRS is offering assistance to taxpayers who are facing financial difficulties and struggling to meet their tax obligations. You may be able to enter into a payment plan or may be eligible for an offer in compromise for your 2009 tax. You can find additional information at www.irs.gov or by calling 1-800-829-1040.

I hope this information is helpful. If you need further information, please contact me or
at .

Sincerely,

Janine Cook
Chief, Employment Tax, Branch1
Division Counsel/Associate Chief
Counsel
(Tax Exempt & Government Entities)

Enclosures (1)

cc: The Honorable Amy Klobuchar