

EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D.C. 20210	<b>CLASSIFICATION</b> UI
	<b>CORRESPONDENCE SYMBOL</b> OWS DUIO
	<b>DATE</b> November 22, 2005

**ADVISORY:** UNEMPLOYMENT INSURANCE PROGRAM LETTER NO. 5-06

**TO:** STATE WORKFORCE AGENCIES

**FROM:** Cheryl Atkinson s/s  
 Administrator  
 Office of Workforce Security

**SUBJECT:** Revision of Internal Revenue Service (IRS) Form 1099-G,  
 Statement for Recipients of Certain Government Payments

1. **Purpose.** To notify State Workforce Agencies (SWAs) of a revision to IRS Form 1099-G.
2. **References.** The Tax Reform Act of 1986 (Public Law 99-514), Trade Adjustment Assistance Reform Act of 2002 (Public Law 107-210), UIPL No. 39-90, and Training and Employment Guidance Letter (TEGL) No. 2-03.
3. **Background.** SWAs are required to notify claimants and the IRS of payments of unemployment insurance (UI) benefits and alternative trade adjustment assistance (ATAA) using IRS Form 1099-G. The IRS has revised Form 1099-G for tax year 2005 designating Block 5 specifically for reporting SWA payments of (ATAA).
4. **Procedure.** All ATAA wage subsidies are taxable income. SWAs are required to issue Form 1099-G to recipients of ATAA payments totaling \$600 or more. Substitute Form 1099-Gs may be provided to claimants if they contain substantially similar language to the official form. Such substitutes must meet the requirements contained in IRS Publication 1179 – General Rules and Specifications for Substitute Forms 1096, 1098, 1099, 5498, W-2G, and 1042-S. IRS Publication 1179 is available electronically at: <http://www.irs.gov/pub/irs-pdf/p1179.pdf>. Instructions for completion of Boxes 1 through 8 of Form 1099-G (available at <http://www.irs.gov/pub/irs-pdf/i1099g.pdf>) are listed below.
  - a. Data block 1 should be used for reporting payments of \$10 or more in unemployment insurance compensation including

<b>RESCISSIONS</b> None	<b>EXPIRATION DATE</b> Continuing
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Railroad Retirement Board payments for unemployment. Enter the total amount before any income tax was withheld.

- b. Data block 4 should be used for entering any voluntary federal income tax withholding from unemployment compensation. Voluntary withholding under Internal Revenue Code (IRC) section 3402(p) does not extend to ATAA payments as these payments are not unemployment compensation reported under IRS 6050B. However, if federal income tax was withheld, IRC 6051 requires the payer to provide a statement (Form 1099-G) to the payee and to IRS showing the withheld tax in Box 4 and the income from which the tax was withheld in Box 5. Once tax is withheld the \$600 reporting threshold exemption for 1099-G does not apply.
  - c. Data block 5 should be used for ATAA payments. Enter only payments of \$600 or more, unless federal income tax was withheld as explained above.
  - d. For UI and ATAA reporting purposes data blocks 2, 3, 6, 7, and 8 may be left blank.
  - e. If the total amount of UI benefits paid to a claimant during the year is less than \$10, a state is not required to prepare a Form 1099-G for that claimant but has the option to do so.
5. **Recommendation.** We recommend that SWAs use continuous form mailer packets to provide 1099-G information to claimants. The mailer packets are designed to run continuously through printers and require minimum postage. SWAs should contact postal authorities to confirm that the mailer packets selected comply with Postal Service size requirements for the lowest postal rates.
6. **Transmittal of 1099-G Information to IRS.** SWAs are encouraged to file information returns such as 1099-G electronically via the FIRE (Filing Information Returns Electronically) system at <http://fire.irs.gov>. IRS Publication 1220 provides helpful information and specifications for electronic/magnetic filing of Forms 1099-G. Publication 1220 is available at: <http://www.irs.gov/pub/irs-pdf/p1220.pdf>. Filing Forms 1099-G on a magnetic tape cartridge continues to be an acceptable filing format. All magnetic media cartridge and related correspondence must be mailed to:

IRS-Enterprise Computing Center-Martinsburg  
Information Reporting Program  
230 Murall Drive  
Kearneysville, WV 25430

7. **Action Required.** State workforce agencies are to procure their own continuous 1099-G Forms or statements in lieu of Form 1099-G in time for computer preparation, mailing, and delivery to claimants by January 31, 2006. SWAs are to follow any instructions which may be provided by the IRS, or required in IRS Publication 1179, when preparing Form 1099-G, or statements in lieu of 1099-G, and forwarding magnetic tape information to the IRS Enterprise Computing Center-Martinsburg. Administrators are requested to provide the above information to appropriate staff.
8. **Inquires.** Direct questions to the appropriate Regional Office. Questions related to magnetic media or electronic submissions of IRS data should be directed to the IRS toll-free help line 1-866-455-7438 (email at [mccirp@irs.gov](mailto:mccirp@irs.gov)) or the state Governmental Liaison.
9. **Attachment.** Facsimile of 1099-G Form (Copy B for Recipient) for 2005.

Attachment

**1099-G Certain Government Payments**

CORRECTED (if checked)

PAYER'S name, street address, city, state, ZIP code, and telephone no.		1 Unemployment compensation	OMB No. 1545-0120  <b>2005</b>  Form 1099-G	<b>Certain Government Payments</b>   <b>Copy B For Recipient</b>  This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.
		\$		
PAYER'S Federal identification number		2 State or local income tax refunds, credits, or offsets	4 Federal income tax withheld	
		\$		
RECIPIENT'S identification number		3 Box 2 amount is for tax year	\$	
RECIPIENT'S name		5 ATAA payments	6 Taxable grants	
		\$	\$	
Street address (including apt. no.)		7 Agriculture payments	8 Box 2 is trade or business income <input type="checkbox"/>	
City, state, and ZIP code		\$		
Account number (see instructions)				

Form **1099-G**

(keep for your records)

Department of the Treasury - Internal Revenue Service