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Apr. 09, 2021



IRS

Department of the Treasury
Internal Revenue Service

The Internal Revenue Service is reminding eligible residents of the U.S. territories that if they receive unemployment compensation payments that are otherwise subject to U.S. income tax, they may be eligible to exclude up to \$10,200 per person of unemployment compensation from U.S. income tax for 2020, following legislation that was passed March 11, 2021.

Taxpayers with modified adjusted income of less than \$150,000 may exclude the first

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- Pandemic Unemployment Assistance (PUA)
- Federal Pandemic Unemployment Compensation (FPUC)

The \$10,200 exclusion applies to these new types of unemployment compensation for U.S. income tax purposes.

The IRS also notes that for U.S. income tax purposes, unemployment compensation is generally considered sourced where the taxpayer performed the underlying services. For guidance on the U.S. income taxation of residents of the U.S. territories, see [Publication 570](#), Tax Guide for Individuals with Income from U.S. Possessions.

The U.S. territories are American Samoa, the Commonwealth of the Northern Mariana Islands, Guam, the Commonwealth of Puerto Rico, and the U.S. Virgin Islands.

U.S. territory residents should contact their territory tax department with questions relating to the taxation of COVID-related unemployment compensation at the territory level.

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