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refunds of some form in 2022.

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By Samantha Gowen, Los Angeles Daily News (TNS)

Tax filers in California who got a Middle Class Tax Refund and a corresponding 1099 form should wait to file their federal tax returns, the IRS said last Friday.

The IRS, now two weeks into tax season, issued a statement Feb. 3 saying it is working on guidance for tax preparers and at-home filers.

For tax filers who got the 1099-MISC form, the question remains: Will the IRS tax the

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The IRS said it expects to provide "additional clarity for as many states and taxpayers as possible next week."

California has sent out 6.4 million 1099-MISC forms to MCTR recipients who got at least \$600, according to the Franchise Tax Board. The payments cap at \$1,050 for joint filers who earn less than \$250,000 and have a qualifying dependent. Between October and January, the tax board sent out 16.6 million payments worth a combined \$9 billion.

In the first week of tax season, some MCTR tax filers found they could not submit their tax returns when using TurboTax. The system spat out a "rejected" message when Bill, a reader who reached out to express his frustration, tried to submit his federal tax return.

It reads like this: *"CA_MCTR_Payment – There is a potential issue with the Form 1099-Miscellaneous if you received this form for payment of the California Middle Class Tax Refund."*

The system updated days later and Bill said he was able to submit his tax return—at which point he was taxed \$160 on his \$700 MCTR payment. He noted that his son, also using TurboTax, was not taxed.

For now, the IRS is recommending tax filers avoid hitting submit.

"For taxpayers uncertain about the taxability of their state payments, the IRS recommends they wait until additional guidance is available or consult with a reputable tax professional," the agency statement says. "For taxpayers and tax preparers with questions, the best course of action is to wait for additional clarification on state payments rather than calling the IRS."

And if you've already submitted a 2022 return? "We also do not recommend

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argue the MCTR was intended to be, would be exempt from taxation.

The legislature and Gov. Gavin Newsom crafted Assembly Bill 192, also known as the [Better for Families Tax Refund](#) in summer 2022. It would return \$9 billion from the state budget surplus to help taxpayers who were paying record-high prices for everyday necessities such as gasoline, food and utilities.

Publication 25 reads (in part) under "disaster relief payments" that taxpayers can exclude from income any amount received that is a qualified disaster relief payment. A qualified disaster relief payment is an amount paid (Item 4) by a federal, state, or local government or agency or instrumentality in connection with a qualified disaster in order to promote the general welfare.

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