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factors, taxpayers in many states will not need to report these payments on their 2022 tax returns.

Isaac M. O'Bannon • Feb. 13, 2023

Form **1040** Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return | **2022** | OMB No. 1545-0074 | IRS Use Only—Do not write or staple in this space.

Filing Status Check only one box.
 Single Married filing jointly Married filing separately (MFS) Head of household (HOH) Qualifying surviving spouse (QSS)

If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QSS box, enter the child's name if the qualifying person is a child but not your dependent:

Your first name and middle initial _____ Last name _____
If joint return, spouse's first name and middle initial _____ Last name _____
Home address (number and street). If you have a P.O. box, see instructions. _____
City, town, or post office. If you have a foreign address, also complete spaces below. _____
Foreign country name _____ State _____ Apt. no. _____
Foreign province/state/county _____ ZIP code _____
Foreign postal code _____

Digital Assets At any time during 2022, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, gift, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.) Yes No

Standard Deduction **Someone can claim:** Spouse itemizes on a separate return or you were a dual-status alien You as a dependent Your spouse as a dependent

Blindness **You:** Were born before January 2, 1958 Are blind **Spouse:** Was born before January 2, 1958 Was blind

Dependents (see instructions):
(1) First name _____ Last name _____
(2) Social security number _____
(3) Relationship _____

Presidential Election Campaign Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund. You Spouse

After several days of requests by taxpayers, state agencies and [the National Taxpayer Advocate](#), the Internal Revenue Service has provided clarifying the federal tax status involving special payments made by 21 states in 2022.

The IRS has determined that in the interest of sound tax administration and other factors, taxpayers in many states will not need to report these payments on their 2022 tax returns.

During a review, the IRS determined it will not challenge the taxability of payments

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federal tax purposes if the payment is a refund of state taxes paid *and* either the recipient claimed the standard deduction or itemized their deductions but did not receive a tax benefit.

The IRS appreciates the patience of taxpayers, tax professionals, software companies and state tax administrators as the IRS and Treasury worked to resolve this unique and complex situation.

The IRS is aware of questions involving special tax refunds or payments made by certain states related to the pandemic and its associated consequences in 2022. A variety of state programs distributed these payments in 2022 and the rules surrounding their treatment for federal income tax purposes are complex. While in general payments made by states are includable in income for federal tax purposes, there are exceptions that would apply to many of the payments made by states in 2022.

To assist taxpayers who have received these payments file their returns in a timely fashion, the IRS is providing the additional information below.

Refund of state taxes paid

If the payment is a refund of state taxes paid and either the recipient claimed the standard deduction or itemized their deductions but did not receive a tax benefit (for example, because the \$10,000 tax deduction limit applied) the payment is not included in income for federal tax purposes.

Payments from the following states in 2022 fall in this category and will be excluded from income for federal tax purposes unless the recipient received a tax benefit in the year the taxes were deducted.

- Georgia

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Disaster Relief Payment. Determining whether payments qualify for these exceptions is a complex fact intensive inquiry that depends on a number of considerations.

The IRS has reviewed the types of payments made by various states in 2022 that may fall in these categories and given the complicated fact-specific nature of determining the treatment of these payments for federal tax purposes balanced against the need to provide certainty and clarity for individuals who are now attempting to file their federal income tax returns, the IRS has determined that in the best interest of sound tax administration and given the fact that the pandemic emergency declaration is ending in May, 2023 making this an issue only for the 2022 tax year, if a taxpayer does not include the amount of one of these payments in its 2022 income for federal income tax purposes, the IRS will not challenge the treatment of the 2022 payment as excludable for income on an original or amended return.

Payments from the following states fall in this category and the IRS will not challenge the treatment of these payments as excludable for federal income tax purposes in 2022.

- Alaska ^[1]
- California
- Colorado
- Connecticut
- Delaware
- Florida
- Hawaii
- Idaho
- Illinois ^[2]
- Indiana
- Maine

- [New Jersey](#)

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Other payments that may have been made by states are generally includable in income for federal income tax purposes. This includes the annual payment of Alaska's Permanent Fund Dividend and any payments from states provided as compensation to workers.

[1] Only for the supplemental Energy Relief Payment received in addition to the annual Permanent Fund Dividend.

[2] Illinois and New York issued multiple payments and in each case one of the payments was a refund of taxes, which should be treated as noted above, and one of the payments is in the category of disaster relief payment.

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