

### Unemployment Benefits are Taxable

Unemployment compensation can provide a welcome buffer while you're transitioning to a new job. But with the help comes a tax effect, because the benefits provided under federal or state laws are usually includable in your income in the year you receive them.

As a result, depending on the amount of unemployment you expect to receive, you may want to complete "Form W-4V, Voluntary Withholding Request," to have federal income tax withheld from your benefits.

Alternatively, you can adjust or begin making quarterly estimated tax payments.

The amount of unemployment compensation you report on your income tax return is also affected by benefits you have to repay. If you receive and repay benefits in the same year, you can subtract the repayment from the total you received.

However, if you make repayments in a year following the receipt of the benefits, the tax treatment depends on how much you repay, and can be claimed either as an itemized deduction or a credit against your current-year tax.

Please contact us if your employment situation changes. We can help with tax and benefit related issues such as severance pay, retirement account rollovers, and deductions related to job hunting. [inquiries@mangoldcpa.com](mailto:inquiries@mangoldcpa.com) or 512-327-0909