

Frequently Asked Questions Form 1099-G and Form 1099-INT

Q: What are these statements?

A: Forms 1099-G and 1099-INT are reports of income (refunds, including interest, or overpayment credits) you received from the Department of Revenue during a tax year. The Internal Revenue Service (IRS) requires government agencies to report certain payments made during the year because those payments may be considered taxable income for federal income tax purposes.

Note: These forms are not bills, and you should not send any type of payment in response to the statement(s).

Q: Should I expect to receive my Form 1099 in the mail?

A: 2012 is the last year the Commonwealth of Pennsylvania will mail Form 1099-G, Statement for Recipients of State Income Tax Refunds. Beginning in 2013, 1099-G information will only be available online via the Form 1099-G link on our website.

The state will continue to mail a paper Form 1099-INT, Interest Income, annually to any individual who received interest paid on a tax refund or interest paid in connection with an unclaimed property claim. Form 1099-INT information is not available online.

Q: Why is the amount reported on Form 1099-G different than the refund check I received?

A: The amount may differ from your refund amount if all or part of your overpayment was:

- Credited to estimated tax for a later year
- Applied to a voluntary contribution or gift that you designated on your income tax return
- Applied to a debt owed for a previously unpaid tax liability for either Pennsylvania or the Internal Revenue Service (IRS); or a
- Debt owed to another state agency,
- Applied to an estimated tax penalty
- Applied use tax reported on your income tax return

The Form 1099-G amount may also differ because it doesn't include interest paid by Pennsylvania on an overpayment. Interest is reported on Form 1099-INT.

Q: How does 1099-G information affect my tax return?

A: In calculating itemized deductions on your federal tax return, you are allowed to deduct state income taxes paid during the year. Most people deduct the amount of income tax withheld, as shown on Form W-2, plus any Pennsylvania estimated tax payments they made during the year. If any part of the state tax deducted on the federal return is later refunded, that amount has to be reported as taxable income for the year in which the refund is issued. This is because this deduction reduces the federal taxable income.

Note: To find out if you are required to report this information on a federal income tax return, see the federal income tax instructions or contact the IRS or your tax professional.

Let's say, for example, Bob Smith deducted \$5,000 in state income tax on his 2010 federal return, based on the Pennsylvania withholding amount from his W-2. When he filed his 2010 Pennsylvania return, he found he was entitled to a refund of \$1,000, which was issued on June 1, 2011. This means that he only paid \$4,000 in state income taxes for 2010, rather than the \$5,000 he claimed. Therefore, Mr. Smith will be required to report the difference of \$1,000 (the amount of his refund) on his federal return for 2011.

Q: Where do I report the amount listed on Form 1099-G for my state income tax refund?

A: You do not report this income on your Pennsylvania personal income tax return.

Q: I don't remember receiving an overpayment from the state, as stated on Form 1099-G. What should I do?

A: You received a 1099-G because you probably received a refund last year from filing your PA income tax return. If you elected to get a cash refund, you should have received the check/direct deposit four weeks after the date in Box 7 of the 1099-G.

Please double-check your records for receipt of the refund around that date. If you have no record of receiving it, you may contact the Taxpayer Service & Information Center at 717-787-8201 or submit a question through the Online Customer Service Center.

Q: I claimed a Pennsylvania income tax refund on my federal tax return for 2010, but the department applied the money to a bill for another year. Do I still have to report this as income?

A: Pennsylvania law requires the department to apply refunds or credits to outstanding deficiencies. The 1099-G statement reflects your total overpayment amount for the 2010 tax year. The fact that some or all of your overpayment was applied to another year does not affect the amount shown on your 1099-G, and should be reported on your 2011 federal tax return, if required by the IRS.

Q: I did show an overpayment on last year's return, but I had the money applied as a credit to this year. Since I didn't get a refund, do I still have to report this?

A: The department must include on Form 1099-G any overpayment as a result of your return, regardless of whether the overpayment was issued as a refund check or credit. As a result, you are subject to the same federal reporting requirements as if you had received a refund check.

Q: The department applied my income tax refund from last year to a bill I had with another state agency or the IRS. Do I still have to report this as income?

A: Although you didn't receive a refund, since it was applied to your debt with another state agency or the IRS, an overpayment transaction took place and you are subject to the same federal reporting requirements as if you had received a refund check.

Q: My 1099-G shows a refund of \$150 for last year. I made a \$50 donation to a charitable organization on my return. Shouldn't the 1099-G show my refund was \$100, since that was the amount of my refund check?

A: The department is required to report the total overpayment amount allowed on your return, before any donations are elected to be made. You are subject to the same federal reporting requirements as if you had received a check for the full amount of your overpayment.

Q: My 1099-G shows the refund was issued for tax year 2008. I already reported that refund on my 2009 federal return. What should I do?

A: The department is required to report a refund transaction in the year it occurs. Since your 2008 refund was issued in 2011, we cannot issue a 1099-G as if the transaction took place in 2009. You should contact the Internal Revenue Service, or visit IRS.gov to find out what action you should take to correct the reporting error.

Q: My 1099-G shows a refund of \$500 for last year. I did get a refund for that amount, but I amended my return a few months later and had to pay \$300 back. Shouldn't the statement show my net refund was \$200?

A: Under federal law, the department is required to report the actual refund or credit amount. We cannot net the amount against other transactions. Therefore, your Form 1099-G is correct as issued. For information on how to report the income and deduct your payment on your federal return, contact the Internal Revenue Service or visit IRS.gov.

Q: My 1099-G shows the refund was issued for 2007. Why was a 2007 refund issued in 2011? Why should I have to report the amount now?

A: Our records show that a refund for 2007 was issued on your account during 2011. Since the transaction took place in 2011, the income would be reported on your 2011 federal return, if required by the IRS. If you don't have record of filing an amended Pennsylvania return for 2007, or remember resolving a claim or dispute related to your 2007 return during 2011, contact the department for an explanation. Call our Taxpayer Service and Information Center at 717-787-8201.

Q: I checked my records, and I'm sure this statement is incorrect. What should I do?

A: Contact the department to request a correction, explaining why you believe the Form 1099-G and/or 1099-INT is incorrect. Be sure to include in your message the information necessary for us to provide a response (name, Social Security number, tax year, amounts, contact information, etc.). You may either submit the information through the Online Customer Service Center or write to: PO Box 605, Harrisburg, PA 17128-0605.

Q: I received Form 1099-INT, which shows an interest amount, and Form 1099-G, which shows a refund amount. What am I supposed to report as income?

A: You may need to report both amounts as income. If so, the interest would be included with the other interest income you report on your federal return. For information on federal reporting requirements, visit IRS.gov. The interest must also be included with any other

taxable interest income you report on your Pennsylvania return; however, any amount shown on the Form 1099-G is exempt from Pennsylvania income tax and should not be reported on your PA-40 return.

Q: Why do I have earned interest?

A: Interest is allowed in some cases on:

- Overpayments of tax, penalties, and/or interest
- Overpayment of a tax deposit
- Payments not claimed on the return (e.g., estimated payments, extension payments, etc.) when an overpayment exists
- Payments received with the return
- Billing payments, including duplicate billing payments for the same amount
- · Amounts that are credited against unpaid liabilities for a different tax year
- Refundable overpayments where the taxpayer had no requirement to file a return
- Amounts in excess of what we are legally allowed to collect (e.g., an over collected amount in a tax year with a return, or the over collected amount on a tax year with an invalid filing enforcement)