

1099-G and 1099-INT Frequently Asked Questions

1. What is a 1099-G and why did I receive it?

Form 1099-G is a report of income you received from the Rhode Island Division of Taxation. The Internal Revenue Service (IRS) requires government agencies to report certain payments made to individuals during the year, because those payments may be considered taxable income for the recipients. The Division of Taxation must report any refund or overpayment credit amount issued to individuals who claimed itemized deductions on their federal income tax return.

2. What should I do with the 1099-G? Do I have to pay the amount shown?

Form 1099-G is a report of the income you received from the Rhode Island Division of Taxation. **It is not a bill**, and you should not send any type of payment in response to the statement. If a professional preparer handles your taxes, you should give this statement to the preparer, along with your other tax information, such as W-2s. If you prepare your own taxes, you should review the **federal** return instructions for reporting state income tax refunds, or visit the IRS web site at www.irs.gov for more information.

3. What is Form 1099-INT?

The 1099-INT reports any interest paid on your income tax refund by the Rhode Island Division of Taxation. **It is not a bill**, and you should not send any type of payment in response to the statement. If a professional preparer handles your taxes, you should give this statement to the preparer, along with your other tax information, such as W-2s. If you prepare your own taxes, you should review the **federal** return instructions for reporting interest income, or visit the IRS web site at www.irs.gov for more information.

4. Why would I have to report my refund as income?

In computing itemized deductions on your federal tax return, you are allowed to deduct state income taxes paid during the year. Most individuals deduct the amount of income tax withheld, as shown on Form W-2, plus any Rhode Island estimated tax payments they made during the year. Since this deduction reduces federal taxable income, 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.

Example: An individual deducted \$5,000 in state income tax on his 2009 federal return, based on the Rhode Island withholding amount from his W-2. When he filed his 2009 Rhode Island return in 2010, he found he was entitled to a refund of \$1,000, which was issued in 2010. This means that he only paid \$4,000 in state income taxes for 2009, rather than the \$5,000 he claimed. Therefore, the individual will be required to report the difference of \$1,000 (the amount of his refund) on his federal return for 2010.

5. I claimed a Rhode Island income tax refund for 2009 but the Division of Taxation amount reported on the 1099-G differs from the amount of refund received. Does that mean the 1099-G is incorrect? Do I still have to report this amount as income?

Rhode Island law requires the Division of Taxation to apply refunds to outstanding bills. The application of funds does not change the fact that you claimed an overpayment for the year, and this is the amount reported on your 1099-G. Even though you did not actually receive a refund check, an overpayment transaction took place, and you are

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subject to the same federal income tax reporting requirement as if you had received a refund check.

The same income tax treatment is applicable if your income tax refund was applied to an assessment of another state agency such as child support, court costs, unemployment or higher education.

Furthermore, the amount of income tax refund shown on your 1099-G may be different from the amount of refund claimed if you made any voluntary contributions using the check boxes on the Rhode Island income tax return.

6. I did show an overpayment on my return, but I had the overpayment carried forward and applied as an estimated payment for the following tax year. Since I did not receive the refund, do I still have to report this amount on my federal income tax return?

A refund and a carry forward are simply different types of overpayment transactions. The Rhode Island Division of Taxation must include any overpayment allowed on your return, whether issued as a refund or a carry forward, on Form 1099-G. As a result, you are subject to the same federal reporting requirements as if you had received a refund check.

7. The 2010 1099-G reports the refund was issued for tax year 2008. I reported that refund amount on my 2009 federal income tax return. Can you correct the statement? If not, what should I do?

The Rhode Island Division of Taxation is required to report refund and overpayment transactions in the year the transaction occurs. Since your 2008 refund was issued in 2010, we cannot issue a Form 1099-G as if the transaction took place in 2009. You should contact the Internal Revenue Service or visit their website at www.irs.gov to find out whether you should amend your 2009 federal income tax return or take some other action to correct the reporting error.

8. This statement shows a refund of \$1,500.00 for 2009. I did get a refund for that amount; however, I amended my return a few months later and had to remit to the state of Rhode Island an income tax payment of \$800.00. Should the 1099-G report the net refund of \$700.00?

Under federal law, the Rhode Island Division of Taxation 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 income tax return, visit the IRS website at www.irs.gov.

9. I have checked my records, and I am certain the Form 1099-G is incorrect. What should I do?

You may contact the Rhode Island Division of Taxation at 401-574-8829 and select option 3 for the personal income tax section. Office hours are Monday through Friday from 8:30 a.m. to 3:30 p.m. When you call, please have a copy of your income tax return and Form 1099-G and/or 1099-INT.