

IRS offers guidance to taxpayers on identity theft involving unemployment benefits

IR-2021-24, Jan. 28, 2021

WASHINGTON – The Internal Revenue Service today urged taxpayers who receive Forms 1099-G for unemployment benefits they did not actually get because of identity theft to contact their appropriate state agency for a corrected form.

States issue Forms 1099-G to the taxpayer and to the IRS to report what taxable income, such as refunds or unemployment benefits, were issued by state agencies.

During 2020, millions of taxpayers were impacted by the COVID-19 pandemic through job loss or reduced work hours. Some taxpayers who faced unemployment or reduced work hours applied for and received unemployment compensation from their state. Under federal law, unemployment benefits are taxable income.

However, scammers also took advantage of the pandemic by filing fraudulent claims for unemployment compensation using stolen personal information of individuals who had not filed claims. Payments made as a result of these fraudulent claims went to the identity thieves, and the individuals whose names and personal information were taken did not receive any of the payments.

Taxpayers who receive an incorrect Form 1099-G for unemployment benefits they did not receive should contact the issuing state agency to request a revised Form 1099-G showing they did not receive these benefits. Taxpayers who are unable to obtain a timely, corrected form from states should still file an accurate tax return, reporting only the income they received. A corrected Form 1099-G showing zero unemployment benefits in cases of identity theft will help taxpayers avoid being hit with an unexpected federal tax bill for unreported income.

The IRS previously issued guidance requested by states on [identity theft guidance regarding unemployment compensation reporting](#). No Forms 1099-G should be issued to those individuals the states have identified as ID theft victims.

Know the signs of identity theft

Taxpayers do not need to file a Form 14039, Identity Theft Affidavit, with the IRS regarding an incorrect Form 1099-G. The identity theft affidavit should be filed only if the taxpayer's e-filed return is rejected because a return using the same Social Security number already has been filed.

See [Identity Theft Central](#) for more information about the signs of identity theft and general steps that should be taken.

Additionally, if taxpayers are concerned that their personal information has been stolen and they want to protect their identity when filing their federal tax return, they can request an [Identity Protection Pin](#) (IP PIN) from the IRS.

An Identity Protection PIN is a six-digit number that prevents someone else from filing a tax return using a taxpayer's Social Security number. The IP PIN is known only to the taxpayer and the IRS, and this step helps the IRS verify the taxpayer's identity when they file their electronic or paper tax return.

Reminder for those receiving unemployment benefits: Report your benefits when you file your tax return.



The IRS reminds taxpayers that unemployment benefits are taxable, and they should watch their mail for a Form 1099-G. In some states, taxpayers may be able to receive the Form 1099-G by visiting their state's unemployment website where they signed up for account benefits to obtain their account information.

Starting in January 2021, unemployment benefit recipients should receive a [Form 1099-G, Certain Government Payments](#) from the agency paying the benefits. The form will show the amount of unemployment compensation they received during 2020 in Box 1, and any federal income tax withheld in Box 4. Taxpayers report this information, along with their W-2 income, on their 2020 federal tax return. For more information on unemployment, see Unemployment Benefits in [Publication 525](#).