

Revenue Information Bulletin 21-008

March 26, 2021

Individual Income Tax

**Louisiana Tax Implications of
\$10,200 Unemployment Compensation Exclusion**

Following the onset of the COVID-19 pandemic, the federal government authorized increased unemployment benefits for impacted individuals throughout 2020 and into 2021. These federal benefits supplemented existing state level unemployment benefits. On March 11, 2021, the American Rescue Plan created a new, retroactive federal unemployment benefits exclusion provision for eligible individuals for the 2020 tax year.

The purpose of this bulletin is to explain that this federal exclusion also applies to Louisiana individual income tax and to provide instructions to taxpayers.

Taxability of Unemployment Compensation

Generally, unemployment compensation is included in the gross income of an individual for federal income tax purposes and is defined as “any amount received under a law of the United States or of a State which is in the nature of unemployment compensation”.¹ In Louisiana, unemployment compensation is paid to eligible recipients by the Louisiana Workforce Commission which then issues the recipient a Form 1099-G in the January following the year of payment.

An individual is generally required to report this income from the Form 1099-G on the individual’s federal income tax return.² Unemployment compensation and other items of income (such as wages, investment income, and other income) are reduced by any adjustments to income, and the resulting amount is a taxpayer’s federal adjusted gross income.³ This federal adjusted gross income is the starting point for Louisiana individual income tax purposes⁴ because Louisiana conforms its individual income tax system largely to the Internal Revenue Code. As such, income taxable at the federal level is generally taxable at the Louisiana level, and income that is excluded at the federal level is generally excluded at the Louisiana level.⁵

¹ Internal Revenue Code Section 85

² IRS Form 1040, Schedule 1, Line 7

³ IRS Form 1040, Line 11

⁴ LA R.S. 47:290 and 293(1)

⁵ For more information on Louisiana’s piggyback tax system, see RIB 18-009 and 18-012. Louisiana level modifications are generally listed in the definition of “tax table income” in LA R.S. 47:293(9) and are reported on LDR Form IT-540, Schedule E.

Unemployment Benefits Exclusion Applies to Louisiana

Section 9042 of the American Rescue Plan Act of 2021 created a retroactive tax provision to exclude the first \$10,200 of unemployment benefits for a taxpayer if the taxpayer's adjusted gross income is less than \$150,000. For married individuals filing joint returns, the exclusion amount is \$10,200 received by each spouse. The new \$10,200 federal exclusion automatically applies to Louisiana taxpayers based on the automatic and conformed relationship of Louisiana income tax law to federal income tax law.

Instructions for the 2020 Individual Income Tax Returns

If a taxpayer has not yet filed the 2020 federal or state tax return:

The taxpayer should follow the [instructions](#) available from the Internal Revenue Service ("IRS") on how to complete the federal tax return. For eligible taxpayers, the \$10,200 exclusion will reduce federal adjusted gross income, and likewise reduce Louisiana adjusted gross income. For state tax purposes, the taxpayer will follow the instructions for the 2020 LDR IT-540 or IT-540B, depending on residency status.

If taxpayer has already filed the 2020 federal and state tax return:

For federal tax purposes, the IRS will determine the correct taxable amount of unemployment compensation and federal income tax and adjust federal tax returns accordingly. If the adjustment results in an overpayment of tax, the overpayment will be refunded to the taxpayer or applied to other outstanding taxes owed. According to [IRS guidance](#), the recalculations will be completed in two phases, starting with those taxpayers eligible for an exclusion up to \$10,200. The second phase will recalculate and adjust returns for those married filing jointly taxpayers who are eligible for an exclusion of up to \$20,400 and other more complex returns. However, taxpayers may need to file an amended federal income tax return if the exclusion adjustment makes them eligible for additional credits and deductions not already included on the original tax return, such as the earned income tax credit. ⁶ Please follow IRS guidance on this topic.

For state tax purposes, the taxpayer must file an amended [2020 LDR IT-540](#) or [2020 LDR-IT-540B](#) and reduce "Line 7, Federal Adjusted Gross Income" (or Schedule E, Line 1 if used) by an amount equal to the exclusion that would have been received at the federal level using these [instructions](#). For faster refund processing, the taxpayer may amend the 2020 tax return electronically through [Louisiana File Online](#). Return processing and refund tracking will be available online as well.

Frequently Asked Questions and additional instructions on amending the Louisiana income tax return will be available soon.

Kimberly Lewis Robinson
Secretary

⁶ This bulletin was updated on April 1, 2021, to include information provided by the IRS on how the unemployment compensation exclusion will be addressed for taxpayers who have already filed their 2020 federal income tax return.