

Tax Implications Regarding NJ Unemployment

1. NJ unemployment compensation is taxable at the federal level. It is not taxable by the State of NJ.
2. The same is true for the extra \$600 expanded federal unemployment payments.
3. Individuals can elect to have federal income tax withheld from their NJ unemployment at a rate of 10%.
4. However, NJ is not able to withhold federal income taxes from the extra \$600.

Because of number 4 above, it's very possible some members will not have enough tax paid into the Federal government when it comes time to prepare their 2020 1040's. This can be alleviated by paying estimated taxes. Because each person's situation is unique, members should refer to the IRS general rules below and most importantly, to this link <https://www.irs.gov/pub/irs-pdf/f1040es.pdf> for more detail.

Members are also advised to speak to their own tax return preparer since that person would know their individual situation.

General Rule

In most cases, you must pay estimated tax for 2020 if both of the following apply.

- 1. You expect to owe at least \$1,000 in tax for 2020, after subtracting your withholding and refundable credits.**
- 2. You expect your withholding and refundable credits to be less than the smaller of:**
 - a. 90% of the tax to be shown on your 2020 tax return, or**
 - b. 100% of the tax shown on your 2019 tax return. Your 2019 tax return must cover all 12 months.**