



Tuesday, February 14, 2023

IRS announces certain special payments issued by States will not be federally taxed

On Friday, February 10, 2023 the IRS announced that States who issued special payments in 2022, will not be taxed on these funds this upcoming tax season. In California specifically, this means the Middle-Class Tax Refund will not be taxed federally; this relief will also not be taxed by the State. The IRS's decision to not challenge these refunds will allow millions of taxpayers, and many tax professionals to move forward in the filing process. The IRS said taxpayers in California as well as Colorado, Connecticut, Delaware, Florida, Hawaii, Idaho, Illinois, Indiana, Maine, New Jersey, New Mexico, New York, Oregon, Pennsylvania and Rhode Island, will not have to report any special payments related to disaster relief or general welfare. ¹

¹ <https://www.irs.gov/newsroom/irs-issues-guidance-on-state-tax-payments-to-help-taxpayers>