

**Suspensions
Interest on Advances and Federal Taxation of UC**

INTEREST PAYMENTS

V-1. Question: How did the amendments made by Section 2004 of Public Law 111-5 affect interest due on Title XII advances?

Answer: Section 2004 added new paragraph (10) to Section 1202(b), SSA. Under this new paragraph, any interest payment due during the period beginning on the date of enactment (that is beginning February 17, 2009) and ending on December 31, 2010, shall be “deemed to have been” paid by the state. This effectively waives all interest due during this period. Further, no interest accrues on any advance or advances made to a state during this period.

V-2. Question: Will interest accrue on advances made prior to the date of enactment?

Answer: Yes. Although interest will accrue on such advances, any interest due within the period beginning February 17, 2009, and ending on December 31, 2010 will, as discussed in the previous Q&A, be waived. However, interest accrued after September 30, 2010, will not be due within this period. Instead, such accrued interest will be due no later than September 30, 2011.

V-3. Question: How is interest after December 31, 2010, determined?

Answer: The normal rules for determining the amounts of interest accrued and the dates interest is due will again apply.

PARTIAL SUSPENSION OF FEDERAL INCOME TAX

V-4. Question: How did the amendments made by Public Law 111-5 affect the taxation of unemployment benefits?

Answer: For tax year 2009 only, the first \$2,400 paid in unemployment benefits is not subject to Federal income tax. Amounts above \$2,400 remain taxable.

V-5. Question: Will this suspension require any operational changes by my agency?

Answer: States are to continue to (1) report UC payments on Form 1099 and (2) withhold Federal income tax from UC benefits when requested by the individual. States are encouraged to promptly update information provided to individuals about the taxation of UC so that individuals may make informed decisions about whether to elect (or continue) the withholding of Federal income tax from UC.