

Welcome to the SeaComm Federal Credit Union podcast. Your guide to financial information and what's going on at your credit union!

Millions of Americans are now receiving or did receive unemployment compensation, many of them for the first time in 2020 due to the Pandemic. While these benefits provide an important lifeline during tough times, they could also produce an unexpected tax bill. By law, unemployment compensation is taxable and must be reported on your 2020 income tax returns.

While it may be a surprise to some that unemployment benefits are taxable both at the federal and state level, it is something you can plan for even this late in the year. So make sure you are not hit with a nasty surprise if you were on unemployment this year. And remember, the CARES Act expanded benefits to include an additional \$600 per week through July—and yes, that's taxable too.

If you're still receiving benefits, you may want to have taxes withheld on your last few benefit checks. For federal taxes, you can have up to 10% of your benefits withheld by filing W-4V. You can change your New York State tax withholding option on the New York State Department of Labor website.

Another option is to make an estimated tax payment on the amount you expect to owe. The deadline for fourth-quarter estimated taxes is January 15, 2021. Paying estimated taxes will help you avoid sticker shock—and a balance you can't pay—when you file your 2020 tax returns.

Another way to soften the blow is to save the money yourself. You can open up a separate share account here at SeaComm, a sub-share account, and save a little extra from each check you receive so that if you do have a tax bill in April, you have the money to pay it.

For more information on unemployment benefit taxes, you can go to the IRS website, [irs.gov](https://www.irs.gov) and the New York state tax website [tax.ny.gov](https://www.tax.ny.gov).

That's it for this edition of the SeaComm Federal Credit Union podcast. Thanks for joining us!