



Expanding Access to Quality Preschool

**Teacher Promise Grants Program
IRS- Form 1099-MISC
Frequently Asked Questions**

Teachers receiving Promise Grant payments and Teacher Advancement Bonuses through the Teacher Promise Grants Program will be issued IRS Form 1099-MISC at the end of each tax year in which they've received a payment. Below are some commonly asked questions about these forms, as well as general guidance about how to handle them. *Please note: the following FAQ are provided for guidance purposes only. Consult a tax specialist for answers about your family's specific tax situation.*

What is an IRS Form 1099-MISC?

It is a tax form used to document income other than wages, salaries, and tips.

How does it differ from the W-2 I receive from my employer?

The Form 1099-MISC will be received in addition to the W-2 teachers receive from their employers. The primary difference is that Form 1099-MISC is used to report non-wage income. The payments made under these programs are considered non-wage income. Taxes are not withheld from a Form 1099-MISC as they are from the W-2.

Is the money reported on the Form 1099-MISC taxable?

Yes, but unlike with the W-2, taxes are not automatically withheld from the reported income. This means teachers will be responsible for calculating and paying the taxes when they complete their annual tax forms.

How can I avoid an unexpected reduction in my tax refund or unexpected increase in my tax due when I file my taxes?

To avoid having an unexpected amount due when you file your income taxes you have the option of asking your employer to withhold additional taxes throughout the year. This can be accomplished by increasing your federal and state tax withholding.

For federal taxes, you can submit Form W-4 to your employer. It's as easy as filling out a new W-4 and handing it in to your employer. A blank W-4 can be found here:

<https://www.irs.gov/pub/irs-pdf/fw4.pdf>.

To increase your withholding, figure out how much you want withheld from each paycheck (see example below), and input that number on the line that asks "Additional amount, if any, you want withheld from each paycheck."

The equivalent form and process exists for state and local taxes. In the case of Ohio state taxes the form is called an IT-4 and it can be found at https://www.tax.ohio.gov/portals/0/forms/employer_withholding/generic/wth_it4.pdf.

What if I withhold too much? Will I get it back at the end of the year?

Yes, you should be refunded any overpayment of taxes with your tax refund. The additional withholding you may have requested is treated by the taxing agency just like any other withholding your employer was already taking from your paycheck.

How do I know how much I will be taxed on my grant awards, and how much to increase my withholding?

This amount will be different based on each teacher's situation. Elsewhere in this document we provide you with external resources you can use to calculate your specific circumstance. As a way to provide some context, note that generally speaking unmarried persons having income of less than \$84,200 in 2019 can expect to pay 22% or less in federal income taxes and less than 3.5% in Ohio income taxes. Any local income taxes assessed by your city or township would be additional. Married persons who file joint tax returns and have income of less than \$168,400 in 2019 can expect to pay 22% or less in federal income taxes and less than 4.6% in Ohio income taxes. As before, any local income taxes would be additional.

Using the above tax example, a sample withholding calculation would look as follows:

22% of \$2000 (the standard Promise Grant amount) equals \$440. Assuming a biweekly paycheck, with 26 pay periods in a year, a teacher expecting \$440 in federal taxes at the end of their year could increase their federal tax withholding by \$17 each pay period, in order to avoid having this amount due at the end of the tax year.

The numbers above are provided for example only. You can determine your tax bracket through a number of online tools. Some of them include:

<https://www.taxact.com/tax-information/tax-tools-and-calculators>
<https://smartasset.com/taxes/income-taxes>
<https://www.nerdwallet.com/taxes/tax-calculator>

Do I risk being bumped into a higher tax bracket because of my grant?

This will depend on each family's specific circumstances. Tax calculators can be useful for modeling various scenarios. Families earning close to tax bracket thresholds should be particularly aware of potential tax impacts of any award.

Are there resources to help with my taxes or tax-related questions?

Yes. Some local resources include:

<https://www.myfreetaxes.com/>
<https://www.hcjfs.org/free-tax-preparation/>
<http://www.makeworkpay.com/>
<https://www.cincinnatiilibrary.org/services/taxassistance.asp>