



FREQUENTLY ASKED QUESTIONS (FAQ): Taxes and Form 1099-NEC

Updated 3/6/2024

As an Early Educator Pandemic Retention Bonus or other grant recipient, it is the responsibility of the recipient to understand the tax implications for accepting funds. This FAQ is designed to answer the frequently asked questions related to receipt of funds and tax implications. If you have any additional questions, please contact childcaregrants@pcgus.com for assistance in English and Spanish.

Q: Who is Public Consulting Group?

A: Public Consulting Group is the organization hired by the state of Rhode Island to disburse all Pandemic Retention Bonuses and Family Child Care Start-up Grants. You may receive emails from childcaregrants@pcgus.com or, at the beginning of the calendar year, a Form 1099-NEC from Public Consulting Group (headquartered in Boston, MA).

Q: Are the bonuses or grants taxable income? How will receiving these funds impact my taxes?

A: Bonuses and grants are considered income and, therefore, are taxable. Please consult your accountant or tax professional to understand more about your particular tax situation and how this guidance applies.

Q: When are applicants informed that these funds are taxable? Why wasn't I told before applying for these awards that I would be required to pay taxes on them?

A: All applicants were notified that these awards would be considered taxable income within the following documents:

1. **The application** itself includes the following tax-related attestations which all applicants agree to when applying for the bonus funds:

- I understand that taxes have not be withheld from these bonus funds. As the bonus recipient, I am fully responsible for any and all tax consequences as a result of receiving this payment and cannot rely on anything that the State of Rhode Island, DHS, or PCG, state about this issue.
- I understand that receipt of this bonus may or may not influence my eligibility for income-based assistance programs and I take responsibility for making an informed decision regarding receipt of these funds prior to submitting an application.
- I understand information I provided in this application, my applicant profile, and prescreening form, including my full legal name, address, and social security number, will be used to generate a Form-1099 NEC tax form to be mailed to the address provided in my applicant profile. I also agree that information provided in this application and prescreening form, including my legal name, address, and social security number, may be used to generate a W9 form, where needed.

2. **FAQ** documents uploaded to <http://kids.ri.gov/cabinet/funding-opportunities/>



Early Educator Pandemic Retention Bonus

Q: What are the tax implications of these bonuses?

A: Bonuses will be subject to state and federal income tax. In January 2025, bonus recipients will receive a Form 1099-NEC from Public Consulting Group (PCG, the fiscal intermediary disbursing payments), documenting receipt of these funds as income in the calendar year 2024. Bonus recipients are responsible for all tax implications related to receipt of funds. Please consult a tax professional or accountant for more information on how these funds may impact you.

Q: Why is the application asking me to submit my Social Security Number?

A: A Social Security Number (or Tax Identification Number) is required in the application. This information will be used by Public Consulting Group (PCG, the fiscal intermediary disbursing payments) to issue a Form 1099-NEC. This tax form will be issued to all awarded applicants in January 2024 related to funds received in 2023, and January 2025 related to funds received in 2024, as these funds are considered income by the Internal Revenue Service.

- 3. The Early Educator Pandemic Retention Bonus and the Family Child Care Start-up Grant **webinars** specifically address the tax implications of receiving these funds on slides 12 and 17. Webinars links are posted on <http://kids.ri.gov/cabinet/funding-opportunities/>

Program Attestations and Tax Implications

Final Step in Application: Attestations

- Read through each attestation fully to ensure that you:
 1. Understand the intention of the bonus program
 2. Understand the tax implications



As a recipient of these funds, you are agreeing that you intend to remain at your employer for the next 3 months in support of these program efforts & you understand you are responsible for all tax consequences that arise as a result of receiving these funds.

If you have any questions regarding these attestations before or during the application process, please contact us at ChildCareGrants@pcgus.com or toll free at 833-930-3540.

Frequently Asked Questions



Q. What are the tax implications of these bonuses?

A. Bonuses will be subject to state and federal income tax. A Form 1099-NEC will be issued in January 2024 for funds received in 2023; and a Form 1099-NEC will be issued in January 2025 for funds received in 2024.

Q. Why is the application asking me to submit my Social Security Number?

A. A Social Security Number (or Individual Tax Identification Number) is required in the application. This information will be used by Public Consulting Group (PCG, the fiscal intermediary disbursing payments) to issue a Form 1099-NEC. This tax form will be issued to all awarded applicants for the specific year in which they receive funding, as these funds are considered income by the Internal Revenue Service.



Rhode Island Department of Human Services

Early Educator Pandemic Retention Bonus

Q: Can taxes be deducted before the payment is made to me in the future?

A: No. The amount of taxes owed will vary due to each individual recipient's tax circumstances. Therefore, the amount of taxes cannot be calculated and withheld prior to the disbursement of these funds. Each individual recipient will need to contact their tax advisor to determine the tax consequences of accepting these funds.

Q: What is a Form 1099-NEC?

A: The Form 1099-NEC reports non-employee compensation income received. This means any compensation you received from an entity who is not your direct employer should be included on this form. To view a sample Form 1099-NEC, you may visit the IRS's website at: <https://www.irs.gov/pub/irs-pdf/f1099nec.pdf>

Q: Why did I receive a Form 1099-NEC?

A: Bonuses and grants are subject to state and federal income tax. In January 2024, bonus recipients received a Form 1099-NEC which listed all Pandemic Retention Bonus grant awards as "non-employee compensation" for tax purposes. This income will need to be included in your taxable income in your calendar year 2023 tax return. If you receive an award in calendar year 2024, you will receive a Form 1099-NEC in January 2025.

Q: How will I receive a Form 1099-NEC?

A: In applications submitted in calendar year 2024, applicants will be asked if they prefer to receive their Form 1099-NEC by physical mail or via email. The mailing address and/or email address used for delivery will be the addresses applicants input into their GrantsConnect applicant profile.

If you need to update the mailing address in your applicant profile, you may log into GrantsConnect. Select your name on the upper right corner of the screen and select "My account". Update your mailing address and select "Save". Form 1099-NEC will only be emailed to the email address associated with the GrantsConnect account, as the Form contains sensitive information.