



TaxNewsFlash

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Notice 2023-56: Guidance on state and local tax refunds and other payments to individuals

The IRS today released an advance version of [Notice 2023-56](#) [PDF 224 KB] providing guidance on the federal income tax consequences of refunds of state or local taxes and certain other payments made by state or local governments to individuals.

As explained in the related IRS release—[IR-2023-158](#) (August 30, 2023)—in 2022, a number of states implemented programs to provide payments to certain individuals residing in their states. Many of these programs were related, directly or indirectly, to the various consequences of the coronavirus (COVID-19) pandemic, and the programs varied in terms of the types of payments, payment amounts and eligibility criteria. The IRS previously provided guidance on those state payments made in 2022 in IRS release [IR-2023-23](#) (February 10, 2023). Read [TaxNewsFlash](#)

Notice 2023-56 updates the previous guidance, which only described the taxability of payments made during 2022.

Comments on the matters discussed in the notice are invited and must be submitted in writing on or before October 16, 2023.

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