

Cleared: February 24, 2020

**USDA National Institute of Food and Agriculture  
Veterinary Medicine Loan Repayment Program (VMLRP)**

The following information is provided to VMLRP recipients about potential tax liability and Form 1099-G. This resource is meant to be informative in nature, and is not intended to be a substitute for professional tax advice.

Both the loan and tax payments made on VMLRP recipient's behalf are considered taxable income by the Internal Revenue Service (IRS). This income could increase federal taxes, and possibly state and local taxes, owed. VMLRP recipients are responsible for ensuring that respective federal, state, local, and any other taxes are paid properly and on time.

VMLRP will provide additional funds equal to 39% of the loan repayments to help compensate for the additional taxes that are incurred due to the award. Note that the 39% tax payments are made in addition to the loan repayment. If the VMLRP is scheduled to repay \$75,000, the total VMLRP award will actually be \$104,250 (\$75,000 in loan repayment + \$29,250 in tax payments).

A payment equal to 39% of the sum of loan repayments made on VMLRP recipient's behalf within a calendar year will be sent to VMLRP recipients in November to offset the increased federal taxes that result from VMLRP income. This tax benefit is not tax-exempt, and will be reported to the IRS along with loan payments.

VMLRP Loan and Tax Payment Chart: Payment schedule that includes loan payments, tax liability payments, and estimated taxable income (1099G).

	1st Year of Payments	2nd Year of Payments	3rd Year of Payments	4th Year of Payments	Totals
January	\$0	\$6,250	\$6,250	\$6,250	
April	\$6,250	\$6,250	\$6,250	\$0	
July	\$6,250	\$6,250	\$6,250	\$0	
October	\$6,250	\$6,250	\$6,250	\$0	
Total Loan Payments	\$18,750	\$25,000	\$25,000	\$6,250	\$75,000
Tax Liability Payment of 39% of the Loan Payments Received During the Year	\$7,312	\$9,750	\$9,750	\$2,438	\$29,250
1099G Taxable Income for Year (Total Loan Payments + Tax Liability Payment)	\$26,062	\$34,750	\$34,750	\$8,688	Grand Total of Award = \$104,250

**Tax Form 1099G**

Tax Form 1099G is a form sent by a local, state, or federal government to report certain governmental payments. The 1099G form is a document that supports a VMLRP recipient's taxable income claim.

When the 1099G form is received, it is best to review the form as soon as possible to determine if there are any discrepancies. If there is a delay or a missing loan and/or tax liability payment, this will change what is reported to the IRS, which will change the total on the 1099G form for that calendar year. If the 1099G is in error, please contact VMLRP staff at [vmlrp@usda.gov](mailto:vmlrp@usda.gov) to request an audit of your 1099G document.

To ensure timely correspondence, please ensure that contact information is accurate and up to date. If there is an error in name or address on your 1099G form, please contact the 1099 Help Desk at 800-421-0323 or by email at [1099helpdesk@usda.gov](mailto:1099helpdesk@usda.gov). Also, please inform the VMLRP staff via email at [vmlrp@usda.gov](mailto:vmlrp@usda.gov).

### **NFC and the 1099G**

The USDA National Finance Center (NFC) will mail a 1099G form to VMLRP recipients between January and March in the calendar year following the receipt of VMLRP benefits received. Should a 1099G not be received, please contact the 1099 Help Desk by phone at 800-421-0323, or email at [1099helpdesk@usda.gov](mailto:1099helpdesk@usda.gov).

NIFA will not make state or local tax payments, nor will NIFA pay any additional VMLRP related federal taxes owed beyond the 39% tax payments described earlier. Have additional questions? Please send an email at [vmlrp@usda.gov](mailto:vmlrp@usda.gov).

### **Making a Tax Payment with EFTPS®**

Tax payments are reported in the Electronic Federal Tax Payment System (EFTPS®) as an “estimated tax payment,” since taxes have been withheld from the loan repayment money during the calendar year. When a payment is received, the VMLRP recipient must make a payment via the IRS EFTPS® for the exact same amount.

The EFTPS® is a web-based service provided by the U.S. Department of Treasury and is a secure method that allows you to send a payment to the IRS. To make estimated tax payments online, you must first establish an account by enrolling with the IRS at the [EFTPS® website](#). If this is your first time enrolling in EFTPS®, your information will need to be validated with the IRS. To enroll, click on the Enrollment at the top of this website and follow the steps. After this process is complete you will receive a personal identification number (PIN) via U.S. Mail in seven to ten days at your IRS address of record. After you receive your PIN, you will be able to complete the process to login into EFTPS®.

Prior to making a payment, VMLRP recipients are encouraged to consult with a tax accountant or other certified tax practitioner to ensure accuracy. After a payment is made, documentation must be forwarded to VMLRP staff via email to [vmlrp@usda.gov](mailto:vmlrp@usda.gov) to show that a payment was made for the same amount received from NIFA.

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