1098-F Info:

- 1098 forms are informational documents that support amounts reported on your federal tax return. Many penalties and fines paid to the state can be deducted for business income tax purposes. You are not required to do anything with the form. A copy of the 1098-F you received will be supplied to the IRS.
- As part of the Tax Cuts and Jobs Act, local governments will be required to report fines and penalties in excess of \$50,000 annually to the Internal Revenue Service (IRS) by filing Form 1098-F. The obligation to issue Form 1098-F began with the 2022 tax year, meaning the first 1098-F forms are due in early 2023. Reporting is required for a suit, court order, or agreement with respect to any violation of a law or the investigation or inquiry into the potential violation of a law that becomes binding on or after January 1, 2022. A separate Form 1098-F must be filed with respect to each payer that is a party to the suit, order, or agreement.
- Section 162(f)(2) of the federal tax code allows employers to deduct "certain amounts paid or incurred for restitution, remediation, or to come into compliance with a law" as part of an agreement with the government. Section 6050X requires the State of South Dakota, as a government entity involved in a suit or agreement described in 162(f), to (1) file an information return with the IRS regarding amounts paid or incurred for restitution, remediation or to come into compliance with a law pursuant to a court order or agreement and (2) furnish a written statement to the payer (i.e., the relevant employer/respondent/defendant).
- If you received a document titled "Form 1098-F, Fines, Penalties and Other Amounts" from the State of South Dakota, that means that our records show that the entity was either party to suit, court order, or agreement with respect to any violation of a law or the investigation or inquiry into the potential violation of a law that becomes binding on or after January 1, 2022, and there was a resolution in which the State of South Dakota believes the settlement led or will lead to the employer incurring costs of \$50,000 or more. Keep in mind that the reporting obligation of the state is to report the aggregate of tax, penalty, and interest.