

State of Louisiana
Office of Statewide Reporting and Accounting Policy

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MEMORANDUM OSRAP 26-05

To: Fiscal Officers
LaGov Agencies

From: Brian Fleming, CPA
State Accounting Systems Director

Subject: IRS Form 1098-F Reporting for State Agencies

Section 6050X of the Internal Revenue Code requires governmental entities to report amounts to be received in response to a court order or settlement agreement resulting from a violation of law or potential violation of law over which the entity has authority. Governments are required to report the amount of the nondeductible payment, any amount that constitutes restitution or remediation of property, and any amount paid for coming into compliance with any law that was violated or part of the investigation.

Under Section 162(f), taxpayers cannot deduct amounts paid or incurred to a governmental entity in response to a violation of law or potential violation of law. An exception exists for amounts identified in the court order or settlement agreement as (i) restitution (including remediation of property) for damage or harm that may have been caused by the violation of or potential violation of law or (ii) paid to come into compliance with any law that was violated or otherwise involved in the investigation or inquiry.

Section 6050X requires the governmental entity involved in a suit or agreement related to the violation of any law, or investigation of a potential violation of law, to file an informational return, 1098-F. The informational return is only required if the aggregate amount required to be paid by the payer relating to a violation or potential violation of law is \$50,000 or greater. If the payment amount is not identified, an informational return must be filed if the aggregate amount required to be paid is reasonably expected to exceed \$50,000.

Section 6050X reporting is required for the calendar year in which the suit or agreement is reached, regardless of when payment is made or whether all appeals have been

exhausted. In other words, the calendar year 2025 1098-F forms should include amounts for all suits and agreements that meet the reporting threshold and became binding during the period January 1, 2025 through December 31, 2025.

To assist OSRAP in compiling the necessary amounts and information required by the IRS for the 1098-F forms, we have attached an Excel workbook for your agency to fill out. Every effort should be made to obtain the correct and complete information needed on the workbook, **including the taxpayer identification number (TIN) of the payer**. In making the request for a payer's TIN, agencies are encouraged to remind the payer that the law requires the TIN to be provided and failure to furnish a TIN may subject the payer to an IRS penalty.

Should your agency have no 1098-F form requirement, your workbook should contain the statement **NONE**. Please **email** your completed Excel workbook to the OSRAP Help Desk **ATTN: 2025 1098-F Form** no later than **Friday, January 9, 2026**.

If you have any questions concerning this memorandum, please call the OSRAP Help Desk at 225.342.1097 or email OSRAP-HelpDesk@la.gov.

BF:jbl

Attachment