



TRANSCRIPT

1099-C BONUS: LESSON 3

Form 1099-C Return Information

At this time, Form 1099-C contains the following information:

- the date of the identifiable event,
- the amount of cancelled debt discharged – only principal is required for lending transactions,
- any interest that you are reporting in box 3. The final regulations do not require interest or costs to be reported in a lending transaction,
- origin of the debt (or if combined 1099-C and 1099-A, a description of the property and fair market value or appraised value),
- the specific identifiable event code,
- indication whether debtor is personally liable, and
- information such as FMV, description if Forms 1099-A and C are combined.

In the case of multiple debtors, a Form 1099-C must be filed for each debtor who had a debt of \$600 or more discharged. Form 1099-C should not be filed for the release of a guarantor or surety. If multiple debtors are joint and severally liable on a debt, each 1099-C will reflect the entire amount. For debts less than \$10,000 incurred after 1994, the bank should file only for the first named debtor. One Form 1099-C may also be filed if the multiple debtors are husband and wife, living at the same address.

With regard to the requirement to include the debtor's TIN, banks are obviously in a better position to solicit a TIN at the time the debtor incurs the debt. But if it is not received at loan inception, the TIN must be correctly requested at the time the debt is discharged, using a Form W-9 or similar request. The borrower's TIN need not be certified under penalties of perjury.

The Form 1099-C must also inform the debtor about a possible negligence penalty or other sanction for failure to report the discharged debt as taxable income. Records of the discharge must be kept by the bank for four years after the date of filing with the IRS.