

## Information About Form 1099-C

### What is a Form 1099-C?

A Form 1099-C is an IRS form that creditors send when they cancel debt over \$600. The creditor sends one copy to the IRS and one copy to the debtor. The IRS normally treats the cancelled debt as taxable income to the debtor.

Here is part of a Form 1099-C sent to a former for-profit school student whose private was cancelled because of the settlement between the Consumer Financial Protection

<input type="checkbox"/> CORRECTED (if checked)		OMB No. 1545-1424		
CREDITOR'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. Aequitas Holdings LLC c/o Epiq P.O. Box 4419 Beaverton, OR 97076-4419 (877) 760-4780		1 Date of identifiable event 09/01/2017	2017 Form 1099-C	
CREDITOR'S federal identification number 01-0891635		2 Amount of debt discharged \$ [REDACTED]		
DEBTOR'S identification number [REDACTED]		3 Interest if included in box 2 \$	<b>Cancellation of Debt</b>	
DEBTOR'S name [REDACTED]		4 Debt description Student loan		<b>Copy B For Debtor</b> This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if taxable income results from this transaction and the IRS determines that it has not been reported.
Street address (including apt. no.) [REDACTED]		5 If checked, the debtor was personally liable for repayment of the debt . . . . . <input checked="" type="checkbox"/>		
City or town, state or province, country, and ZIP or foreign postal code [REDACTED]		6 Identifiable event code G		
Account number (see instructions) [REDACTED]		7 Fair market value of property \$		
Form 1099-C (keep for your records)		www.irs.gov/form1099c	Department of the Treasury - Internal Revenue Service	

Bureau (CFPB), state attorneys general, and **Aequitas**, a company that owned the private student loans.

If you received a Form 1099-C like the one shown above, it is because some debt that some person or company thought you owed was reduced or completely cancelled. This could be because you disputed the debt, because a state or federal agency sued or investigated the company that claimed to own the debt and got the debt reduced or cancelled, or because a class action lawsuit got the debt reduced or cancelled.

### What will happen if I ignore this 1099-C?

Don't ignore it! If you ignore the 1099-C and do not acknowledge it on your tax return, the IRS will come after you for the taxes on the cancelled debt, and may add penalties.

### What should I do about the 1099-C?

The IRS treats some cancelled debt as income and therefore it may be considered taxable. Receiving a 1099-C does not necessarily mean that the income is taxable. But you need to tell the IRS how to handle the information in the 1099-C. Keep reading for information about what to tell the IRS about this cancelled debt. If you have already filed your taxes for 2017, you may need to amend your filing, or file a superseding tax return. If you were not planning to file taxes, you may now need to file. And if you have not yet filed your tax return, you should definitely include information about your 1099-C when you do file. The bottom line is that you should take action to explain this cancelled debt to the IRS. ***If you are in bankruptcy, instead of following the advice below, you should talk to your bankruptcy lawyer.***

On the next pages are explanations and sample forms, based on the example of the taxpayer who got the 1099-C from Aequitas.

There are several reasons that the IRS would not consider cancelled debt to be taxable income. Many of them are discussed in [IRS publication 4681](#). These instructions focus on two reasons: “disputed debt,” and insolvency.

**Disputed Debt.** If a taxpayer has a dispute about the amount or existence of the debt, and the cancellation results from a settlement of that dispute, the taxpayer may be able to convince the IRS that the amount reported on the 1099-C is not, in fact, income.

To tell the IRS that you got one or more 1099-Cs from Aequitas, but that the cancelled debt is not income, you should finish and submit **form 8275** with your federal income tax return.

We filled out most of the form for you in the attached template, but you need to add:

- Your name (top line)
- Your ID number (Social Security number or ITIN) (top line)
- In Part I, section f, add the amount of debt shown in line 2 of your 1099-C
- If you received more than one 1099-C from Aequitas, fill out another line. Sections (c), (d), and (e) should be the same as the first line, and (f) should have the amount of debt shown in line 2 of your second 1099-C.

**You do not need to fill out any other sections of the form**

***See the form 8275 marked “Example” and fill out the information shown in blue***

**Insolvency.** Another reason that a taxpayer would not have to pay taxes on cancelled debt is called “insolvency.” Insolvency means the taxpayer’s assets are less than her liabilities. If a taxpayer has assets of \$1,000 and liabilities of \$5,000, then the taxpayer is insolvent to the extent of \$4,000, and may exclude up to \$4,000 of income cancelled debt.

You can use the IRS’s [Insolvency Worksheet](#) to help calculate whether you were insolvent immediately before the cancellation. If you were insolvent or partially insolvent, you should tell the IRS **both** that the debt was disputed (see above) **and** that you were insolvent. If you got more than one 1099-C, fill out one insolvency worksheet for each 1099-C. Keep the worksheet and any supporting information in case the IRS asks for documentation.

To show the IRS that you are excluding the cancelled debt because you were insolvent, you should finish and submit **Form 982** to your federal income tax return. You only need one copy of this form, even if you got more than one 1099-C. We filled out most of the form for you in the attached template, but you need to add:

- Your name (top line)
- Your ID number (Social Security number or ITIN) (top line)
- In Part I:
- Check the box on line 1b (as shown in the attached version).
- On line 2, include the smaller of the amount of the debt cancelled or the amount by which you were insolvent immediately before the cancellation.

**You do not need to fill out Part II or Part III**

***See the form 982 marked “Example” and fill out the information shown in blue***

# EXAMPLE

CORRECTED (if checked)

CREDITOR'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. <b>Aequitas Holdings LLC</b> c/o Epiq P.O. Box 4419 Beaverton, OR 97076-4419 (877) 760-4780		1 Date of identifiable event <b>09/01/2017</b>	OMB No. 1545-1424  <span style="font-size: 2em; font-weight: bold;">2017</span>  Form <b>1099-C</b>	Cancellation of Debt
		2 Amount of debt discharged \$ <b>\$4,550.25</b>		
		3 Interest if included in box 2 \$		
CREDITOR'S federal identification number <b>01-0891635</b>	DEBTOR'S identification number <b>123-45-6789</b>	4 Debt description <b>Student loan</b>		Copy B For Debtor  This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if taxable income results from this transaction and the IRS determines that it has not been reported.
DEBTOR'S name   <b>Jane Q. Taxpayer</b>		5 If checked, the debtor was personally liable for repayment of the debt . . . . . <input checked="" type="checkbox"/>		
Street address (including apt. no.) <b>123 Main Street</b>  City or town, state or province, country, and ZIP or foreign postal code <b>City, ST 12345</b>		6 Identifiable event code <b>G</b>		
Account number (see instructions) <b>110022334455</b>		7 Fair market value of property \$		
Form <b>1099-C</b>		(keep for your records)		www.irs.gov/form1099c      Department of the Treasury - Internal Revenue Service

## Instructions for Debtor

You received this form because a Federal Government agency or an applicable financial entity (a creditor) has discharged (canceled or forgiven) a debt you owed, or because an identifiable event has occurred that either is or is deemed to be a discharge of a debt of \$600 or more. If a creditor has discharged a debt you owed, you are required to include the discharged amount in your income, even if it is less than \$600, on the "Other income" line of your Form 1040.

However, you may not have to include all of the canceled debt in your income. There are exceptions and exclusions, such as bankruptcy and insolvency. See Pub. 4681, available at IRS.gov, for more details. If an identifiable event has occurred but the debt has not actually been discharged, then include any discharged debt in your income in the year that it is actually discharged, unless an exception or exclusion applies to you in that year.

**Debtor's taxpayer identification number.** For your protection, this form may show only the last four digits of your social security number (SSN), individual taxpayer identification number (ITIN), adoption taxpayer identification number (ATIN), or employer identification number (EIN). However, the creditor has reported your complete identification number to the IRS.

**Account number.** May show an account or other unique number the creditor assigned to distinguish your account.

**Box 1.** Shows the date the earliest identifiable event occurred or, at the creditor's discretion, the date of an actual discharge that occurred before an identifiable event. See the code in box 6.

**Box 2.** Shows the amount of debt either actually or deemed discharged. **Note:** If you don't agree with the amount, contact your creditor.

**Box 3.** Shows interest if included in the debt reported in box 2. See Pub. 4681 to see if you must include the interest in gross income.

**Box 4.** Shows a description of the debt. If box 7 is completed, box 4 also shows a description of the property.

**Box 5.** Shows whether you were personally liable for repayment of the debt when the debt was created or, if modified, at the time of the last modification. See Pub. 4681 for reporting instructions.

**Box 6.** Shows the reason your creditor has filed this form. The codes in this box are described in more detail in Pub. 4681. A—Bankruptcy; B—Other judicial debt relief; C—Statute of limitations or expiration of deficiency period; D—Foreclosure election; E—Debt relief from probate or similar proceeding; F—By agreement; G—Decision or policy to discontinue collection; or H—Other actual discharge before identifiable event.

**Box 7.** If, in the same calendar year, a foreclosure or abandonment of property occurred in connection with the cancellation of the debt, the fair market value (FMV) of the property will be shown, or you will receive a separate Form 1099-A. Generally, the gross foreclosure bid price is considered to be the FMV. For an abandonment or voluntary conveyance in lieu of foreclosure, the FMV is generally the appraised value of the property. You may have income or loss because of the acquisition or abandonment. See Pub. 4681 for information about foreclosures and abandonments. If the property was your main home, see Pub. 523 to figure any taxable gain or ordinary income.

**Future developments.** For the latest information about developments related to Form 1099-C and its instructions, such as legislation enacted after they were published, go to [www.irs.gov/form1099c](http://www.irs.gov/form1099c).

EXAMPLE

Form **8275**

(Rev. August 2013)

Department of the Treasury  
Internal Revenue Service

### Disclosure Statement

Do not use this form to disclose items or positions that are contrary to Treasury regulations. Instead, use Form 8275-R, Regulation Disclosure Statement.

▶ Information about Form 8275 and its separate instructions is at [www.irs.gov/form8275](http://www.irs.gov/form8275).

▶ Attach to your tax return.

OMB No. 1545-0889

Attachment  
Sequence No. **92**

Name(s) shown on return

JANE Q. TAXPAYER

Identifying number shown on return

123-45-6789

If Form 8275 relates to an information return for a foreign entity (for example, Form 5471), enter:

Name of foreign entity ▶

Employer identification number, if any ▶

Reference ID number (see instructions) ▶

#### Part I General Information (see instructions)

(a) Rev. Rul., Rev. Proc., etc.	(b) Item or Group of Items	(c) Detailed Description of Items	(d) Form or Schedule	(e) Line No.	(f) Amount
1		1099-C issued by Aequitas Holdings LLC, fed. ID # 01-0891635	1040	21	\$4,550.25
2					
3					
4					
5					
6					

#### Part II Detailed Explanation (see instructions)

1 The attached 1099-C does not create income to me because the debt was disputed, and the cancellation results from a settlement of that dispute. Specifically, the Consumer Financial Protection Bureau and thirteen states sued Aequitas, the purported creditor,

[cont'd in Part IV]

- 2
- 3
- 4
- 5
- 6

#### Part III Information About Pass-Through Entity. To be completed by partners, shareholders, beneficiaries, or residual interest holders.

Complete this part only if you are making adequate disclosure for a pass-through item.

Note: A pass-through entity is a partnership, S corporation, estate, trust, regulated investment company (RIC), real estate investment trust (REIT), or real estate mortgage investment conduit (REMIC).

- 1 Name, address, and ZIP code of pass-through entity
- 2 Identifying number of pass-through entity
- 3 Tax year of pass-through entity / / to / /
- 4 Internal Revenue Service Center where the pass-through entity filed its return

**Part IV Explanations** (continued from Parts I and/or II)

because its funding of the sham Corinthian Colleges violated the Consumer Financial Protection Act, rendering Aequitas debts unenforceable. See Complaint, Cons. Fin. Prot. Bureau v. Aequitas Capital Management Inc. et al., No. 17-1278 (D. Or. filed Aug. 17, 2017). The "loan reductions, discharges and cancellations" provided by the judgment in that case are "based on alleged infirmities that relate back to the original sale of educational services by Corinthian and are for the purpose of correcting these alleged unlawful business practices by the Defendants, including alleged unfair, deceptive, and abusive acts and practices." Stipulated Final Judgment & Order, Doc. 8 at ¶ 4, Consumer Fin. Prot. Bureau v. Aequitas Capital Management Inc. et al., No. 17-1278 (D. Or. filed Sept. 1, 2017). These public enforcement actions constitute a dispute of the amount and enforceability of this debt. The settlement that cancelled this debt was a resolution of that dispute. Therefore, this 1099-C does not reflect taxable income to me.