



## **LENDERS WILL NOT FILE FORM 1099-C FOR FORGIVEN PPP LOANS**

**From the *Journal of Accountancy* by Alistair M. Nevius, J.D.**

To prevent confusion, the IRS notified lenders on Tuesday, September 22, that they should not file cancellation-of-debt information returns or furnish payee statements under Sec. 6050P to report the amount of qualifying forgiveness with respect to covered loans made under the Paycheck Protection Program (PPP) ([Announcement 2020-12](#)).

The PPP was created under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, P.L. 116-136, and it allows qualifying businesses to obtain loans guaranteed by the U.S. Small Business Administration. Eligible loan recipients are eligible for forgiveness of indebtedness for all or a portion of the stated principal amount of a covered PPP loan if certain conditions are satisfied, and the forgiven amount is excluded from the borrower's gross income.

Sec. 6050P generally requires a lender that discharges at least \$600 of a borrower's indebtedness to file a Form 1099-C, Cancellation of Debt, with the IRS and to furnish a payee statement to the borrower. However, the IRS is advising lenders that when all or a portion of the stated principal amount of a PPP loan is forgiven because the eligible recipient satisfies the forgiveness requirements under the CARES Act, for federal income tax purposes only, the lender is not required to, and should not, file a Form 1099-C information return with the IRS or provide a payee statement to the eligible recipient as a result of the qualifying forgiveness.

The IRS warns that the filing of such information returns could result in the issuance of underreporter notices (IRS Letter CP2000) to eligible recipients, and the furnishing of such payee statements to eligible recipients could cause confusion.