

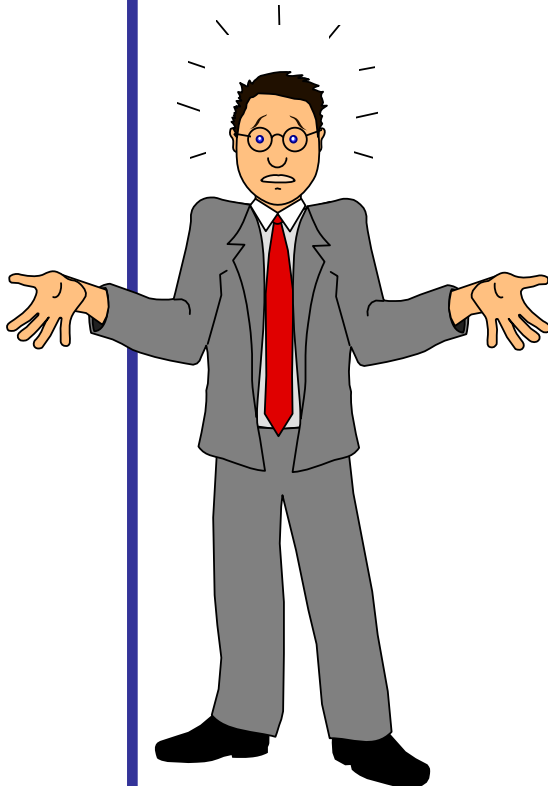
DEBT MANAGEMENT SERVICES CROSS-SERVICING



1099-C

Cancellation of Debt

- ↓ **Internal Revenue Rules**
- ↓ **Cross-Servicing Procedures**





GENERAL RULE

IRC SECTION 6050P

- Government agency that cancels a debt of \$600 or more is required to file a Form 1099-C



Exceptions

Certain Bankruptcies

- Interest
- Nonprincipal Amounts
- Foreign Debtors
- Related Parties
- Release of a Debtor
- Guarantor or Surety



Recordkeeping

- Must retain copy of Form 1099-C for 4 years



Requesting TINs

- Make a reasonable effort to obtain TIN
- Use Form W-9
- \$50 penalty imposed on debtor



DEBT MANAGEMENT SERVICES

CROSS-SERVICING

1099-C PROCEDURES





DMS/CROSS-SERVICING 1099-C PROCEDURES

- DMS provides Cross-Servicing agencies 1099-C service.
- Elect on the Letter of Agreement and Agency Profile Form.
- Complete the new Agency Profile Form verifying the 1099-C election.



DMS/CROSS-SERVICING 1099-C PROCEDURES

- DMS will issue 1099Cs for all debts compromised and discharged over \$600. Debtor TINs are optional.
- DMS will provide the Creditor Agencies a preliminary Excel Spreadsheet of eligible 1099-C debts mid-year and in January.



DMS/CROSS-SERVICING 1099-C PROCEDURES

- At this time an agency may elect for a 1099-C not to be issued on any eligible debt.
- Debts that are not listed may be added.



DMS/ CROSS-SERVICING 1099-C PROCEDURES

- If 1099-C service is not elected, DMS cannot issue a 1099-C on any debt regardless of resolution e.g., compromise or uncollectible. The debt will be returned to the agency, and the referring agency will then be responsible for any 1099-C issuance.



DMS/CROSS-SERVICING 1099-C PROCEDURES

- The amount on the 1099-C:
amount referred + accruals
No DMS fee included
- The referring agency's name and telephone number will appear on the 1099-C as the creditor. FMS will not appear on the 1099-C.



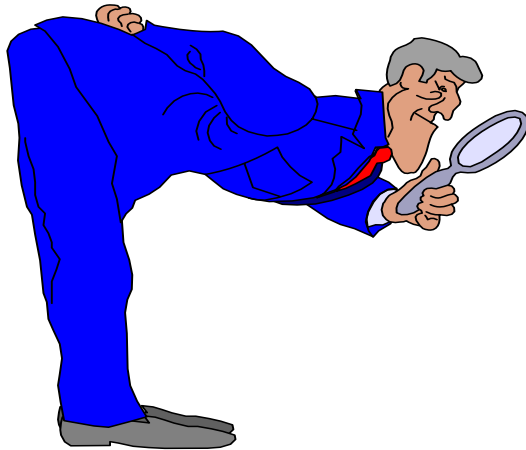
DMS/CROSS-SERVICING 1099-C PROCEDURES

1099-C's to debtors -January 31st
IRS by March 31st

Corrections – March 20th
Agency responsible after this date



CONTACT/ QUESTIONS ???



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