

**APPENDIX I. INTERNAL REVENUE SERVICE (IRS) FORM 1099-C REPORTING**

- I.1 Internal Revenue Service (IRS) Form 1099-C. The IRS recognizes amounts of closed-out debts as potential taxable income for debtors classified as individuals, partnerships, and sole proprietorships. Generally, when collection actions are terminated and the outstanding debt meets the minimum dollar threshold, currently \$600 or more, a Tax Form 1099-C must be completed and forwarded to the customer and to the IRS after the calendar year end. Debts closed out shall be recorded with debtor identifying information in an IRS referral log, accumulated for the calendar year, and forwarded to the IRS on IRS Form 1099-C, "Cancellation of Debt."
- I.2 IRS Form 1099-C Reporting Criteria. The NASA Shared Services Center (NSSC) should consult IRS regulations to determine whether IRS Form 1099-C reporting is required. The following is a description of some of the general rules that apply to IRS Form 1099-C reporting.
- I.2.1 A debt must be reported after all collection efforts have been exhausted; there is no obligation to wait to report a debt until the statute of limitation has expired;
- I.2.2 Amounts greater than \$600 must be reported; amounts less than \$600 may be reported;
- I.2.3 In addition to the principal amount owed, administrative costs and interest must be reported;
- I.2.4 Amounts discharged in a Title 11 bankruptcy case are not to be reported; the bankruptcy must be documented in the files;
- I.2.5 In cases other than Title 11 bankruptcy, a Center must not report amounts discharged to the extent that the debtor is insolvent (i.e., liabilities exceed assets). For example, if a debtor owes \$100 and his liabilities exceed his assets by \$25 (i.e., negative net worth of \$25) before the debt is discharged; \$75 must be reported upon the discharge. The files must document that a debtor is insolvent through an assets/liabilities analysis certified by the debtor as correct under penalties of perjury;
- I.2.6 If the debt is compromised because (1) the debtor is unable to pay the debt within a reasonable period of time or refuses to pay the debt in full and the Government is unable to enforce collection in full within a reasonable time or (2) the cost of collecting the claim does not justify the enforced collection of the full amount, then the amount discharged in the compromise is reportable. If the debt is compromised because there is real doubt as to the Government's ability to prove its case in court for the full amount claimed, then the amount discharged in the compromise should not be reported;
- I.2.7 The debtor shall be provided a copy of Form 1099-C or a written statement of the impending 1099-C report by January 31 of the year following the

determination that no further collection action will be taken on the debt. The 1099-C shall be sent to the IRS by February 28 of that same year; and

- I.2.8 As this reporting requirement is not a statutory one, a Center should not report on Form 1099-C if the reporting of such information is determined to be prohibited by a Federal law. For debts being cross-serviced by the Department of Treasury (Treasury), Centers should indicate on the Treasury Financial Management Services (FMS) Agency Profile Form that Treasury should send Form 1099-C's to the IRS for debts that are closed out. Shortly after calendar year-end, Treasury will send each Center a list of debts returned as uncollectible. Centers will send Treasury confirmation of debts written off so Form 1099-C's can be sent. Centers may reinstitute collection action on closed-out accounts if there is subsequent evidence that a debtor has new ability to pay.