Cancellation of Debt Income

**Instructor:** Stuart Sobel

**CPE credit:** 2 hours

The American economy is hurting and taxpayers are suffering. People are walking away from their homes and credit card debt. When creditors write off a debt, they are required by law to issue the taxpayer/debtor a Form 1099-C, *Cancellation of Debt*. According to Internal Revenue Code section 61, income is taxable from whatever source it is derived. This includes the discharge of debt.

It is unfortunate that many taxpayers and their representatives are unacquainted with IRC section 108 which excludes many of these discharges or cancellations of debt from taxable income. If their discharges or cancellations of debt are properly handled when their returns are filed (or even later), taxpayers can avoid paying tax at a time when they are least able to afford making such payments

This is a confusing area of the tax law, and many tax preparers are unaware of the IRS relief provisions that are available. Often it is not too late to ask the IRS for abatement or refund even if the normal statute of limitations has expired.

Your educator and guide through this challenging area of the law is an expert with 45 years of experience in IRS policies and practices. Having worked for the IRS for 30 years in examination and high-level management and 15 years in his own private tax practice, he has mastered the intricacies of the Internal Revenue Service. He is the author of four books dealing with federal tax law. One of his books, *The Top 50 Mistakes Practitioners Make and How to Fix Them: Dealing with the Internal Revenue Service*, has been used as a textbook for thousands of CPAs, attorneys, and other tax professionals throughout the United States. His books and teaching prowess make the tax system less taxing.

Because this course focuses on an area that affects thousands of taxpayers, this class is a must for every practitioner who wants to avoid the rampant mistakes that are occurring in the application of this area of the law.

**Who should attend:**

Tax practitioners who are involved in the planning and preparation of all types of tax returns

**Topics covered:**

* Overview of code section 108
* Discussion of write-offs, foreclosures, short sales, and other discharges of debt
* Preparation of Form 982, *Reduction of Tax Attributes Due to Discharge of Indebtedness*
* Correcting Form 990 errors
* Bankruptcy update – discharging IRS debt through proper inclusion in a bankruptcy estate
* IRS audit reconsideration process – requesting abatements of assessed tax without an IRS appeal
* Exclusion for discharge of a mortgage on a personal residence
* Tools for researching the Internal Revenue Manual

**Learning objectives:**

* Know how to determine if a taxpayer is insolvent under IRS definitions
* Understand how to prepare Form 982 and request audit reconsideration
* Determine actions necessary to negate erroneous information reporting by creditors

**Level:** Basic