

## Tax Notes

Third-quarter individual estimated tax payments are due September 15.

## Credit Card Debt Forgiveness



Times can get tough. If you find yourself in a difficult situation when it comes to credit card debt, you may be able to make an arrangement with card companies to pay a fraction of the debt owed. The remaining portion of the debt is considered canceled debt or "forgiven debt."

When this occurs, the company will send you Form 1099-C, *Cancellation of Debt*. You need to be aware that there may be tax consequences associated with the canceled debt.

In general, canceled debt is considered taxable income; however, there are some exceptions. If you receive a Form 1099-C but the creditor is still trying to collect the debt, then the debt has not been canceled and you do not have taxable cancellation of debt income.

Canceled debt that meets the requirements for any of the following exceptions or exclusions are not taxable:

- Amounts specifically excluded from income by law such as gifts or bequests.
- Cancellation of certain qualified student loans.
- Canceled debt that if paid by a cash basis taxpayer is otherwise deductible.
- A qualified purchase price reduction given by a seller.
- Cancellation of qualified principal residence indebtedness (for debts discharged whole or in part by January 1, 2017).
- Debt canceled in a Title 11 bankruptcy case.
- Debt canceled during insolvency.
- Cancellation of qualified farm indebtedness.
- Cancellation of qualified real property business indebtedness.

It's important to let me know if any of your debt has been forgiven, even if you do not receive a Form 1099-C. Sometimes creditors send these forms at a later date, but the income needs to be recognized in the year the cancellation occurs.

## Did You Know?

There are enough credit cards in circulation to span the earth over 3.5 times.

## Quote Corner

**"Making money is an art and working is art and good business is the best art."**

~ Andy Warhol