

## Information Reporting Requirements for Paycheck Protection Program Loans Forgiven under the CARES Act

### Announcement 2020-12

This announcement notifies lenders that they should not file information returns or furnish payee statements under section 6050P of the Internal Revenue Code (Code) to report the amount of qualifying forgiveness with respect to covered loans made under the Paycheck Protection Program (PPP) administered by the Small Business Administration (SBA), in consultation with the Department of the Treasury, under Title I of the Coronavirus Aid, Relief, and Economic Security Act, Pub. L. No. 116-136, 134 Stat. 281 (March 27, 2020), as amended by the Paycheck Protection Program Flexibility Act of 2020, Pub. L. No. 116-142, 134 Stat. 641 (June 5, 2020) (collectively, CARES Act).

Section 1102 of the CARES Act established the PPP, which allowed qualifying small businesses (eligible recipients) to obtain loans guaranteed by the SBA under section 7(a)(36) of the Small Business Act (15 U.S.C. § 636(a)(36)) (covered loans). Under section 1106 of the CARES Act, an eligible recipient is eligible for forgiveness of indebtedness for all or a portion of the stated principal amount of a covered loan if certain conditions are satisfied (qualifying forgiveness). Under section 1106(i) of the CARES Act, for purposes of the Code, any amount that (but for section 1106(i)) would

be includible in gross income of the eligible recipient by reason of the qualifying forgiveness is excluded from gross income.

Generally, section 6050P of the Code and §§ 1.6050P-1 and 1.6050P-2 of the Income Tax Regulations require an applicable entity (as defined in section 6050P(c)(1) of the Code) that discharges at least \$600 of a borrower's indebtedness to file a Form 1099-C, Cancellation of Debt, with the Internal Revenue Service (IRS), and to furnish a payee statement to the borrower. For purposes of this reporting requirement, § 1.6050P-1(c) provides that "indebtedness" means any amount owed to an applicable entity, including stated principal, fees, stated interest, penalties, administrative costs, and fines.

When all or a portion of the stated principal amount of a covered loan is forgiven because the eligible recipient satisfies the forgiveness requirements under section 1106 of the CARES Act, an applicable entity is not required to, for federal income tax purposes only, and should not, file a Form 1099-C information return with the IRS or provide a payee statement to the eligible recipient under section 6050P of the Code as a result of the qualifying forgiveness. The filing of such information returns with the IRS 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. This announcement is intended to prevent any such confusion.

The principal author of this announcement is Marshall French of the Office of the Associate Chief Counsel (Procedure & Administration). For further information

regarding this announcement, contact Marshall French at (202) 317-5411 (not a toll-free call).