

**Internal Revenue Service**

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6050P.00-00

Department of the Treasury  
Washington, DC 20224

Third Party Communication: None  
Date of Communication: Not Applicable

Person To Contact:  
, ID No.

Telephone Number:

Refer Reply To:  
CC:PA:02  
PLR-103304-15

Date:  
July 27, 2015

Legend

Entity =

State X =

Asset =

Collection Remedy =

State Law X =

Notices =

Month =

Year 1 =

Dear :

This letter responds to the letter dated January 7, 2015, submitted on behalf of Entity requesting a ruling that Entity is not required to file Forms 1099-C to report the write-off of certain balances under a settlement agreement and court order approving the settlement agreement because the discharge was not the result of an “identifiable

event” listed in Treasury Regulation § 1.6050P-1(b)(2), but rather was required by operation of state law. For the reasons set forth below, we conclude that Entity is required to report the discharge of indebtedness because of the occurrence of an identifiable event listed in Treasury Regulation section 1.6050P-1(b)(2).

### **Facts**

Entity is a financial institution chartered in State X engaged in, among other things, purchasing conditional sales contracts entered into in State X by buyers and sellers of Assets that are subject to State Law X. Some of these contracts went into default and Entity pursued Collection Remedy. Plaintiff filed a class action lawsuit against Entity, alleging Entity’s Notices violated State Law X, and seeking statutory damages and an injunction prohibiting Entity from collecting the outstanding deficiency balances from the class of debtors who received similar Notices.

Entity and plaintiffs signed an agreement in Month of Year 1. Pursuant to a settlement agreement, Entity will waive and extinguish the balances owed by the class members. Entity will also acknowledge that the Notices sent to class members did not meet statutory standards and admit that State X law bars entity from collecting deficiency balances.

### **Law & Analysis**

Section 6050P of the Internal Revenue Code requires that an applicable entity report any discharge (in whole or in part) of indebtedness of any person in excess of \$600 on a Form 1099-C. The Form 1099-C is to include the name, address and taxpayer identification number of the person whose indebtedness is discharged, the date of the discharge and the amount of indebtedness discharged. Section 1.6050P-1(a)(1) of the Treasury Regulations provides that, for information reporting purposes, a discharge of indebtedness is deemed to have occurred upon the occurrence of an “identifiable event”, whether or not an actual discharge of indebtedness has occurred on or before the date on which the identifiable event has occurred. Section 1.6050P-1(b)(2) provides a list of identifiable events. There is a reporting requirement upon the occurrence of one of these identifiable events even if the identifiable event did not cause the discharge. Of the identifiable events, two are particularly relevant to the requested ruling: agreement by the parties to discharge the debt for less than full consideration or a decision by the creditor to discontinue collection activity and discharge the debt.

#### Discharge by agreement of the parties

Treasury Regulation section 1.6050P-1(b)(2)(F) provides that an identifiable event occurs when the applicable entity and debtor agree to discharge the indebtedness for less than full consideration. Here, pursuant to the settlement agreement between

Entity and the class members, Entity will discharge the class members' remaining indebtedness for less than full consideration. Entity is required to report the discharges of the class members' indebtedness because there is an agreement between the creditor and the debtor to discharge indebtedness for less than full consideration.

Discharge by decision of the creditor

Treasury Regulation section 1.6050P-1(b)(2)(G) provides that a discharge of indebtedness occurs upon a decision by the creditor, or the application of a defined policy of the creditor, to discontinue collection activity and discharge debt. Because the identifiable event listed in Treasury Regulation section 1.6050P-1(b)(2)(F) occurred, reporting is required without a need for further analysis.

**Conclusion**

Based solely on the information provided and representations made, we conclude that Entity is required to file Forms 1099-C with respect to waiving and extinguishing the class members' deficiency balances pursuant to the settlement agreement and preliminary order because the identifiable event described in section 1.6050P-1(b)(2)(F) occurred.

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representatives.

The ruling contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

Sincerely,

Blaise Dusenberry  
Senior Technician Reviewer  
(Procedure & Administration)

Enclosures: (1) Copy of letter for section 6110 purposes  
(2) Notice of Intention to Disclose, Notice 437