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Lending, PPP: 1099's and 1098's

eNews Headline: 1099's and 1098's for PPP Loans.

Question: Just to verify, a 1099-C is not required for a PPP loan forgiven, correct?
Follow-up question – would a 1098 be required for a borrower regarding interest paid on PPP loan?

Answer: Two-part question – reporting principal and interest amounts fully forgiven, and reporting principal and interest amounts not forgiven and subsequently paid by the borrower.

The IRS recently issued clarification that lenders are not required to file Form 1099-C (debt forgiveness) for debt forgiven under the PPP program.

...snip

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 CARES Act provides for forgiveness of up to the full principal amount of a PPP loan and any interest accrued thereon, for documented, qualifying expenditures made during the specified covered period.

Hopefully, most loans will be fully forgiven and there will be no accrued interest not also fully forgiven in the process. Interest accrued on any amount not forgiven and subsequently paid by the borrower could be deducted by that borrower.

A 1098 is only required for loans to an individual that is also secured by real estate – in those cases, a statement of interest paid would not suffice.

For PPP loans, because they are not secured by real estate, a statement of any interest truly paid by the borrower would suffice. Lenders will need to ensure that interest forgiven is not inadvertently included in interest paid by the borrower on those statements.

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