



Publication 4731

Screening Sheet for Nonbusiness Credit Card Debt Cancellation

REVIEWED

By Chris Tighe at 9:31 am, Jun 01, 2017



If the taxpayer is in bankruptcy, the tax return is out of scope for the VITA/TCE Programs.

Instructions: Use this Screening Sheet for taxpayers with Form 1099-C resulting from cancellation of nonbusiness credit card debt and to assist in identifying taxpayers with cancellation of credit card debt issues.

Credit Card Debt

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| step 1 | Did the taxpayer receive Form 1099-C, Cancellation of Debt, or other documentation (if less than \$600) from a creditor and is the information shown on the form or document correct? | YES – Go to Step 2
NO – Go to Step 6 |
| Note: The creditor is not required to issue a Form 1099-C if the canceled debt is under \$600. However, the taxpayer may be required to report the canceled debt as income regardless of the amount. | | |
| step 2 | Was the credit card debt related to a business? | YES – Go to Step 6
NO – Go to Step 3 |
| step 3 | Does box 3 of Form 1099-C show any interest or was box 6 checked to indicate bankruptcy? | YES – Go to Step 6
NO – Go to Step 4 |
| Note: If the bankruptcy box is not checked but the taxpayer has subsequently filed bankruptcy, answer “yes.” | | |
| step 4 | Was the taxpayer insolvent immediately before the cancellation of debt? | YES – Go to Step 6
NO – Go to Step 5 |
| Use the Insolvency Determination Worksheet in Publication 4012 and interview the taxpayer to determine if the taxpayer was insolvent immediately before the cancellation of debt. | | |
| step 5 | The cancellation of nonbusiness indebtedness or cancellation of debt (the amount in box 2 of Form 1099-C or an amount less than \$600 provided in other documentation) must be reported as ordinary income on Form 1040, line 21 (Other Income). No additional supporting forms or schedules are required for reporting income from canceled credit card debt. | |
| step 6 | This tax issue is outside the scope of the volunteer programs. The taxpayer may qualify to exclude all or some of the discharged debt. However, the rules involved are complex. | |
| Refer the taxpayer to: | | |
| <ul style="list-style-type: none">• www.irs.gov for the most up-to-date information.• The Taxpayer Advocate Service (TAS): 1-877-777-4778, TTY/TDD 1-800-829-4059. TAS may help if the problem cannot be resolved through normal IRS channels.• A professional tax preparer. | | |