

Internal Revenue Service

Department of the Treasury
Washington, DC 20224

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Person To Contact:
, ID No.

Telephone Number:

Refer Reply To:
CC:PA:02
PLR-123598-17

Date:
November 14, 2017

In Re:

Legend

Entity =

State X =

Asset =

Collection Action =

Notices =

Plaintiff =

Court =

Date 1 =

Dear :

This letter responds to the letter dated July 17, 2017, submitted on behalf of Entity requesting a ruling that Entity is not required by I.R.C. § 6050P and Treasury Regulations § 1.6050P-1 to file Forms 1099-C to report the write-off of certain balances under an order from the Court and subsequent settlement agreement. For the reasons set forth below, we conclude that Entity is not required to report the discharge

of indebtedness because none of the identifiable events listed in § 1.6050P-1 has occurred.

Facts

Entity is a financial institution operating in State X and engaged in, among other things, financing consumer Asset purchases. When consumers defaulted on these loans, Entity took Collection Action and, pursuant to State X law, sent Notices to the consumers. Pursuant to State X law, Collection Action would sometimes result in a deficiency balance. Plaintiff filed a class action lawsuit against Entity, alleging Entity's Notices were deficient under State X law, and seeking, amongst other things, an injunction prohibiting Entity from collecting the outstanding deficiency balances from the class of debtors who received similar Notices.

On Date 1, Court ruled that the Notices were deficient under State X law and that Entity was barred from collecting any deficiency balance pursuant to the Notices that it sent to Plaintiff and the class. Subsequently, Entity and the class entered into a settlement agreement which included, inter alia, a provision requiring Entity to write-off deficiency balances owed by the class.

Law & Analysis

Section 6050P of the Internal Revenue Code requires that an applicable entity report any discharges (in whole or in part) of indebtedness of any person in excess of \$600 on a Form 1099-C. 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. Of the listed identifiable events, two are potentially relevant to the requested ruling: agreement by the parties to discharge the debt for less than full consideration and a decision by the creditor to discontinue collection activity and discharge the debt.

In this case, the Court's order barred Entity from collecting the deficiency balances. Entity and the class did not arrive at an agreement to discharge the indebtedness, nor did Entity decide to discharge the indebtedness, within the meaning of section 1.6050P-1(b)(2). Because none of the identifiable events listed in section 1.6050P-1(b)(2) occurred, Entity is not required to report these write-offs.

Conclusion

Based solely on the information provided and representations made, we conclude that Entity is not required to file Forms 1099-C with respect to the write-offs of the class

members' deficiency balances because none of the identifiable events listed in section 1.6050P-1(b)(2) has 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, copies of this letter are being sent to your authorized representatives.

The rulings 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

cc: