In some cases, consumers may be able to negotiate to reduce or eliminate an outstanding debt. Creditors and debt buyers that cancel or forgive a debt (or portion of a debt) worth at least $600 must file an information Form 1099-C with the Internal Revenue Service by March 31 of the following year, and must also send a copy to the consumer.\footnote{244} The principal of a cancelled or forgiven debt may be considered taxable income to the consumer by the IRS, with a number of important exceptions, including the dispute of the debt, the debtor’s insolvency, or discharge in bankruptcy.\footnote{245} This tax liability has become a big issue for homeowners who are under water and is discussed in detail in National Consumer Law Center, \textit{Foreclosures and Mortgage Servicing} \footnote{[1]} \textit{§ 12.6} \footnote{[2]} (5th ed. 2014), \textit{updated at} \url{www.nclc.org/library}.

\section*{Footnotes}

\footnote{244} 26 C.F.R. § 1.6050P-1(a).

\footnote{245} Internal Revenue Code, 26 U.S.C. §§ 61(a)(12), 108. See National Consumer Law Center, \textit{Consumer Bankruptcy Law and Practice} \textit{§ 15.5.5.6} \footnote{[3]} (11th ed. 2016), \textit{updated at} \url{www.nclc.org/library} (litigation tax consequences for prevailing clients).

\textbf{Source}: National Consumer Law Center, Fair Debt Collection [9th ed.], updated at \url{www.nclc.org/library}

\textbf{Source URL}: \url{https://library.nclc.org/fdc/010403-0}

\textbf{Links}

[1] \url{https://library.nclc.org/nclc/link/Forcl}
[2] \url{https://library.nclc.org/nclc/link/Forcl.12.06}
[3] \url{https://library.nclc.org/nclc/link/Bankr.15.05.05.06}