Instructions for Lenders and Loan Servicers Regarding Certain Discharged Student Loans

Notice 2022-1

SECTION 1: PURPOSE

This notice directs lenders or servicers of student loans that they should not file information returns or furnish payee statements under section 6050P of the Internal Revenue Code (Code) to report the discharge of certain student loans when the discharge is excluded from gross income under section 108(f)(5) of the Code, as amended by the American Rescue Plan Act of 2021 (ARP), Pub. L. 117-2, 135 Stat. 4 (March 11, 2021), for taxable years 2021 to 2025.

SECTION 2: BACKGROUND

Section 9675(a) of the ARP amended section 108 of the Code, Income from discharge of indebtedness, to provide a special rule for discharges of certain student loan debt under section 108(f)(5). Under this special rule, gross income does not include any amount which would otherwise be includible in gross income by reason of the discharge (in whole or in part) after December 31, 2020, and before January 1, 2026, of loans provided for postsecondary educational expenses, whether the loan was provided through the educational institution or directly to the borrower. Such loans must have been made, insured, or guaranteed by the United States, or an instrumentality or agency thereof, a State, territory, or possession of the United States, or the District of Columbia, or any political subdivision thereof, or an eligible educational institution.

Additionally, certain private education loans and loans made by certain educational organizations qualify for this special rule.

SECTION 3: INFORMATION REPORTING

Generally, section 6050P of the Code and §§ 1.6050P-1 and 1.6050P-2 of the Income Tax Regulations require an applicable entity (as defined in section 6050P(c)(1)) that discharges at least \$600 of a borrower's indebtedness to file a Form 1099-C, *Cancellation of Debt*, with the Internal Revenue Service (IRS), and to furnish a payee statement to the borrower. For purposes of this reporting requirement, § 1.6050P-1(c) provides that "indebtedness" means any amount owed to an applicable entity, including stated principal, fees, stated interest, penalties, administrative costs, and fines.

When all or a portion of a student loan described in section 108(f)(5) is discharged after December 31, 2020 and before January 1, 2026, an applicable entity is not required to, and should not, file a Form 1099-C information return with the IRS or furnish a payee statement to the borrower under section 6050P as a result of the discharge. The filing of an information return with the IRS, although not required, could result in the issuance of an underreporter notice (IRS Letter CP2000) to the borrower through the IRS's Automated Underreporter program, and the furnishing of a payee statement to the borrower could cause confusion for a taxpayer with a tax-exempt discharge of debt.

SECTION 4: DRAFTING INFORMATION

The principal author of this announcement is Blaise Dusenberry of the Office of the Associate Chief Counsel (Procedure and Administration). For further information regarding this announcement, contact Blaise Dusenberry at (202) 317-6845 (not a toll-free number).