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Subject: Had Debt Forgiven | Talking Points

What is debt forgiveness?

Here's what you need to know:

If you're having difficulty paying off your debt, you may have options as far as debt forgiveness. These options could apply to you if you're having trouble with:

- Your mortgage
- Student loans
- Credit Card debt
- Medical bills

If your debt is outstanding and seemingly insurmountable, you may be able to contact your lender(s) regarding things like payment plans, debt management, and debt consolidation. These options may seem appealing in the short term but might also damage your credit score or require drastic steps, like filing for bankruptcy.

Is debt forgiveness taxable?

Tax debt forgiveness affects every tax situation differently, depending on taxpayers' individual or familial circumstances. For example, if you borrow money and your debt is forgiven by the lender, you might need to include the canceled portion of the debt in your income.

Lenders are also usually required to report the amount of debt canceled using Form 1099-C, Cancellation of Debt. However, there are several exceptions, like insolvency or bankruptcy, to how much your canceled debt can be taxed.

If you'd like to know more about how debt cancellation might affect your taxes, check out the IRS' Publication 4681, Canceled Debts, Foreclosures, Repossession, and Abandonment.