

IRS Announces Form 1099-C Not Required for PPP Loan Forgiveness

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[IRS Announcement 2020-12](#) notifies lenders that they should not file IRS Form 1099-C with the IRS or furnish it to borrowers to report the amount of qualifying forgiveness with respect to covered loans made under the Paycheck Protection Program (PPP). Specifically, Announcement 2020-12 states, “When all or a portion of the stated principal amount of a covered loan is forgiven because the eligible recipient satisfies the forgiveness requirements under section 1106 of the CARES Act, an applicable entity is not required to, for federal income tax purposes only, and should not, file a Form 1099-C information return with the IRS or provide a payee statement to the eligible recipient under section 6050P of the Code as a result of the qualifying forgiveness.”

The Announcement does not address whether lenders must file Form 1099-C when an emergency grant issued under the Economic Injury Disaster Loans (EIDL) program is forgiven. When a business applies for an EIDL under Section 7(b)(2) of the Small Business Act, it can request an emergency grant of up to \$10,000 under Section 1110 of the CARES Act. This is an advance on an SBA disaster loan. Generally, disaster loans must be repaid. However, with respect to the emergency grant, the CARES Act states, “An applicant shall not be required to repay any amounts of an advance provided under this subsection, even if subsequently denied a loan under section 7(b)(2) of the Small Business Act [an EIDL] (15 U.S.C. 636(b)(2)).” Thus, if a business applies for an EIDL and requests an emergency grant, it will not be required to repay any of the advance, assuming the money is used for a proper purpose, even if it is denied an EIDL. Unlike forgiveness of a PPP loan, however, the CARES Act does not contain a provision that excludes from income the forgiveness of an emergency grant. It should be noted that IRC § 139 excludes from gross income any amount received by an individual as a qualified disaster relief payment. The fact that the Announcement does not address forgiveness of an emergency grant suggests the IRS may treat an emergency grant that is forgiven as a qualified disaster relief payment excluded from income under IRC § 139 that does not require the lender to file Form 1099-C.

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