



Publication 4731

**Screening Sheet for Form 1099-C, Cancellation of Debt
For Volunteers with Advanced Certification Only**

step 1	Did the taxpayer receive Form 1099-C, Cancellation of Debt, from their lender only in relation to a home mortgage loan and is the information shown on the form correct?	YES – Go to Step 2 NO – Go to Step 6
step 2	Did the taxpayer ever use the home in a trade or business or as rental property?	YES – Go to Step 6 NO – Go to Step 3
step 3	Was the debt canceled as a result of a bankruptcy case?	YES – Go to Step 6 NO – Go to Step 4
step 4	Ask the following questions to determine if the discharged debt is “qualified principal residence indebtedness”: a. Was the mortgage taken out to buy, build, or substantially improve the taxpayer’s principal residence? (NOTE: A principal residence is generally the home where the taxpayer lives most of the time. A taxpayer can have only one principal residence at any one time.) b. Was the mortgage secured by the taxpayer’s principal residence? c. Was any part of the mortgage used to pay off credit cards, purchase a car, pay for tuition, pay for a vacation, pay medical/dental expenses, or used for any other purpose other than to buy, build, or substantially improve the principal residence? d. Was the mortgage amount more than \$2 million (\$1 million if Married Filing Separately)?	YES – Go to Step 4b NO – Go to Step 6 YES – Go to Step 4c NO – Go to Step 6 YES – Go to Step 6 NO – Go to Step 4d YES – Go to Step 6 NO – Go to Step 5
step 5	The discharged debt is “qualified principal residence indebtedness.” The Mortgage Forgiveness Debt Relief Act of 2007, as extended in the Emergency Economic Stabilization Act of 2008, allows individuals to exclude from gross income any discharges of “qualified principal residence indebtedness” made after 2006 and before 2013. The volunteer should complete the applicable lines on Form 982, and file it with the taxpayer’s return. If the residence was disposed of, the taxpayer may also be required to report the disposition (sale) on Schedule D.	
step 6	These tax issues are outside the scope of the volunteer program. The taxpayer may qualify to exclude all or some of the discharged debt. However, the rules involved in the mortgage debt relief exclusions are complex. Refer the taxpayer to: <ul style="list-style-type: none">• www.irs.gov for the most up-to-date information• An IRS Representative: 1-800-829-1040• An IRS Taxpayer Assistance Center (TAC)• The Taxpayer Advocate Service (TAS): 1-877-777-4778, TTY/TDD 1-800-829-4059. TAS may help if the problem cannot be resolved through normal IRS channels.• A tax professional	Additional Resources: <ul style="list-style-type: none">• Publication 523, Selling your Home• Publication 525, Taxable and Nontaxable Income (Canceled Debts)• Publication 4681, Canceled Debts, Foreclosures, Repossessions, and Abandonments• Publication 4702, Mortgage Forgiveness PowerPoint• Publication 4705, Overview of Mortgage Debt Forgiveness• Form 982, Reduction of Tax Attributes Due to Discharge of Indebtedness (and Section 1082 Basis Adjustment) and Instructions

