

Phantom Income: The 1099-C and How You Can Protect Yourself

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DISCLAIMER:



What is a 1099-C?



- ❖ Anytime debt of \$ 600 + is forgiven
- ❖ “Cancellation of Debt”

Foreclosure / Repossession & Fair Market Value



EXAMPLE:

- * Hank bought a home for \$ 340,000
- * FMV of \$ 400,000 at foreclosure
- * Total debt at foreclosure is \$ 440,000



Calculating Gain/Loss

- * Enter the FMV of the foreclosed property \$ 400,000
- * Enter your adjusted basis in the property (usually your purchase price) \$ 340,000
- * Subtract purchase price from FMV = GAIN (or loss) from the foreclosure of the home \$ 60,000

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