

Askee: Ed

QUESTION: Can a creditor send a 1099 to a customer after they write that customer's account off? If so, what is the procedure and applicable law?

RESPONSE: The option or practice of issuing an IRS form that cancels a debt (actually then income to the debtor that the IRS is advised of) is one of those practices that allow creditors to get that one last "jab" in at a dubious debtor.

A formal practice has to be followed. A 1099 form has to be issued and is supported by other reporting documents to the IRS. They have to be filed all at one time and by a certain date shortly after the first of the calendar year (like W2's for example).

You can download copies of forms and instructions from www.irs.gov. Here are examples from 2005.