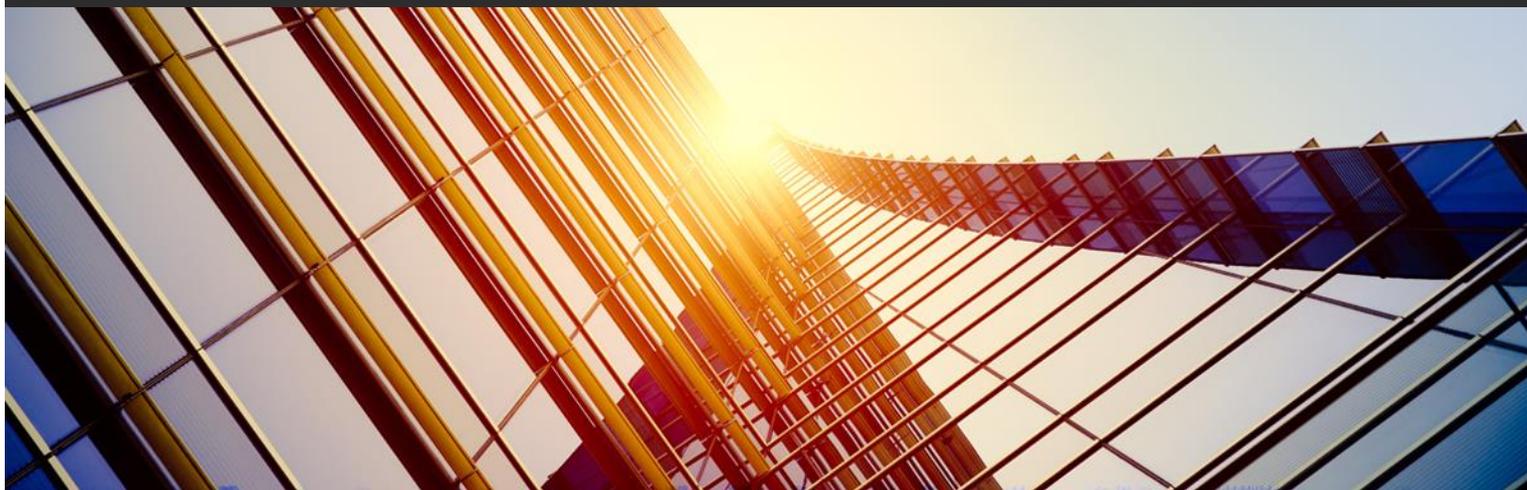


**Alert | Health Emergency Preparedness Task Force:
COVID-19 Economic Stimulus**



September 2020

Lenders Should Not Report PPP Loan Forgiveness to IRS or to Borrowers

The IRS has announced that lenders should not file tax information returns to report forgiveness of debt on Paycheck Protection Program (PPP) loans. Lenders should take special care with respect to this announcement in order to avoid potential class action claims.

The general rule is that a lender is required to report the amount of loan forgiveness of \$600 or more on a Form 1099-C when it agrees to reduce or completely discharge a debt, and also to provide a copy of this form to the borrower. However, [IRS Announcement 2020-12](#) informs lenders that they should not file a Form 1099-C with respect to the forgiveness of a PPP loan, nor should they send the PPP borrower a payee statement (copy of the Form 1099-C) in order to avoid confusion.

Many institutional lenders have automated their tax information reporting obligations so that Form 1099-Cs are automatically filed. It is important that PPP lenders take affirmative steps to modify their software and systems to make sure that Form 1099-Cs are not automatically filed when a PPP loan is forgiven, since Announcement 2020-12 states that lenders *should not file* the Form 1099-C or payee statement, rather than merely stating that they are not obligated to do so. Consequently, a lender could potentially face a class action claim if either Form 1099-Cs or payee statements are inadvertently sent to report PPP loan forgiveness.

In this situation, a thorough review of tax information reporting systems by lenders to make certain that PPP loan forgiveness is not reported to the IRS or the borrowers is the proverbial ounce of prevention which could obviate the need for a pound of cure in the nature of class action litigation defense fees.

For more information and updates on the developing situation, visit [GT's Health Emergency Preparedness Task Force: Coronavirus Disease 2019](#) or [GT's COVID-19 Economic Stimulus Team](#).

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