

Part III - Administrative, Procedural, and Miscellaneous
Information Reporting for Discharges of Indebtedness

Notice 2001-8

PURPOSE

This notice extends the suspension of penalties under §§ 6721 and 6722 of the Internal Revenue Code provided by Notice 2000-22, 2000-16 I.R.B. 902 (April 17, 2000), for certain organizations newly subject to § 6050P (that is, those organizations a significant trade or business of which is the lending of money and that are not otherwise described in § 6050P(c)(1) or (2)). Under this notice, penalties will not be imposed on such an organization for failure to file information returns under § 6050P for any discharge of indebtedness that occurs prior to the first calendar year beginning at least two months after the date that appropriate guidance is issued.

BACKGROUND

Generally, § 6050P(a) requires applicable entities that are subject to that section to file returns with the Service, and to provide statements to persons whose names are required to be shown on the returns (“payees”), setting forth certain information regarding discharges of indebtedness of \$600 or more. Sections 6721 and 6722 impose penalties for failure to file correct information returns or to provide correct payee statements, respectively, including those required under § 6050P.

Section 533(a) of the Ticket to Work and Work Incentives Improvement Act of 1999, Pub. L. No. 106-170, 113 Stat. 1860, 1931 (1999) (“the Act”), amended § 6050P

of the Code by expanding the types of entities that are required to report discharges of indebtedness to include any organization “a significant trade or business of which is the lending of money.” The Act was signed into law on December 17, 1999. Section 533(a) was made effective for discharges of indebtedness occurring after December 31, 1999. Notice 2000-22 suspended penalties for failures to file information returns or to furnish payee statements for discharges of indebtedness by these newly included organizations occurring prior to January 1, 2001.

PENALTY SUSPENSION

The Service recognizes that, in the absence of published guidance regarding the new statutory provision, many organizations potentially included within the reporting provisions of § 6050P by the Act are unable to determine whether they are in fact subject to the new reporting provisions. Furthermore, sufficient time is necessary after guidance is issued for these affected organizations to establish recordkeeping systems needed to capture the information required to be reported under § 6050P. Therefore, the Service will not impose penalties on these organizations for failure to comply with the requirements of § 6050P for discharges of indebtedness occurring prior to the first calendar year beginning at least two months after the date that appropriate guidance is issued.

This notice does not suspend penalties for any organization that was already subject to § 6050P prior to its amendment by the Act.

EFFECT ON OTHER DOCUMENTS

Notice 2000-22 is modified, and, as modified, is superseded.

DRAFTING INFORMATION

The principal author of this notice is Sharon L. Hall of the Office of Assistant Chief Counsel, Income Tax and Accounting. For further information regarding this notice, contact Ms. Hall at (202) 622-4930 (not a toll-free call).