

ARE YOU “UNDERWATER” IN YOUR MORTGAGE?
THINKING ABOUT “WALKING AWAY” FROM YOUR HOME?
HERE’S WHAT YOU NEED TO KNOW!



If you can't afford your mortgage payments, you might decide to “walk away” from your home by:

- giving up your home in a bankruptcy
- making an agreement with the bank to give up your home (called a “short sale” or “deed-in-lieu”)
- just waiting for the bank to sell your home at a foreclosure auction

If you give up your home in a bankruptcy, a “short sale” or a “deed-in-lieu,” the amount you owe gets forgiven. Even if your home is sold at a foreclosure auction, the bank may still decide to forgive the amount you owe.

Often, when a debt gets cancelled, you will get a tax form in the mail (IRS Form 1099-C). If you get this form, get help from a qualified tax preparer. The amount forgiven will count as taxable income, unless there is an exception under IRS rules. To claim an exception, you must file Form 982 with your tax return. Your tax preparer can help you fill out the form. Free tax help is available to low-income people and seniors in your community. To find a free tax clinic in your area, call 1-800-906-9887 or search online at:

<https://freetaxassistance.for.irs.gov/s/sitelocator>

In many cases, as long as you file IRS Form 982 with your return, you will not owe any extra tax. **However, to make sure, check with your tax preparer or an attorney before “walking away” from your home.** If you move, make sure to forward your mail, so the 1099-C will come to your new address.

NEVER IGNORE FORM 1099-C. If you don't file a tax return, along with IRS Form 982, the IRS may decide you owe back taxes. Unlike most other creditors, the IRS may be able to take part of your Social Security or SSD benefits and certain other types of government benefits. Even if you don't normally have to file income tax returns, you should file if you get a 1099-C.

Even if you already owe back taxes because of a 1099-C, it may not be too late to get help. Contact a qualified tax preparer right away. You can also contact the IRS Taxpayer Advocate (1-877-777-4778) or the Syracuse University Law School Tax Clinic (315-443-4582).