

**Topic 432 - Form 1099-A (Acquisition or Abandonment of Secured Property) and Form 1099-C (Cancellation of Debt)**

If you borrow money from a lender to purchase property, the lender may require the loan to be secured by the purchased property. If you transfer the ownership of the secured property to the lender (such as in a foreclosure) or abandon the property, the law may require you to treat the transfer or the abandonment as a sale of the property. If the lender acquires the secured property from you or has reason to know that you abandoned or stopped using the secured property, the lender should send you a [Form 1099-A](#) (PDF), *Acquisition or Abandonment of Secured Property*.

When you borrow money, you do not include the loan proceeds in gross income because you have an obligation to repay the lender later. If the lender subsequently cancels that obligation, you may be required to include the amount of the canceled debt in gross income. A commercial lender canceling a debt will issue a [Form 1099-C](#) (PDF), *Cancellation of Debt*, to report the cancellation.

On Form 1099-A, the lender reports the amount of the debt owed (principal only) and the fair market value of the secured property as of the date of the acquisition or abandonment of the property. You, the debtor, use these values to determine a gain or loss on the disposition of the property and report the gain or loss on [Form 1040, Schedule D](#) (PDF), *Capital Gains and Losses*, or [Form 8949](#) (PDF), *Sales and Other Dispositions of Capital Assets*, if the property is not used for business, or on [Form 4797](#) (PDF), *Sales of Business Property*, if the property is used for business. On Form 1099-C, the lender reports the amount of the canceled debt. If the lender's acquisition of the secured property (or the debtor's abandonment of the property) and the cancellation of the debt occur in the same calendar year, the lender may issue a Form 1099-C only. See [Topic 431](#) for additional information on Form 1099-C.

If you receive a Form 1099-A or Form 1099-C containing incorrect information, contact the lender to make corrections. For additional information on foreclosures and abandonments, refer to [Publication 544](#), *Sales and Other Dispositions of Assets*.

In certain situations, you may exclude cancellation of debt income in whole or in part. For additional information, refer to [Publication 4681](#) (PDF), *Canceled Debts, Foreclosures, Repossessions, and Abandonments (For Individuals)*, [Topic 431](#), and [Form 982](#) (PDF), *Reduction of Tax Attributes Due to Discharge of Indebtedness (and Section 1082 Basis Adjustment)*.

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