

EXECUTIVE SUMMARY FOR AMENDMENTS TO THE REGULATIONS UNDER SECTION 6050P OF THE INTERNAL REVENUE CODE.

- **Description of the guidance:** The proposed amendments will reduce the number of entities that are required to file information returns under section 6050P to report cancellation of indebtedness. One of the events that trigger information reporting under section 6050P is the 36-month nonpayment testing period (“the 36-month rule”). The amendments will reduce filers by limiting application of the 36-month rule to banks and other financial entities as defined in the original 1993 definition of applicable financial entities. Under the existing regulations, the 36-month rule also applies to any organization that lends money as a significant part of its trade or business.
- **Why/how guidance was initiated:** The proposed regulations were initiated in response to numerous requests from the lending industry, in particular the debt buying industry, for additional guidance regarding the final 6050P regulations issued in 2004. The debt buying industry has expressed a number of concerns in response to the final regulations published in 2004, which expanded the definition of applicable financial entities.
- **What taxpayers are impacted by the guidance:** The guidance will impact certain creditors in the lending industry who are currently required to file information returns to report cancellations of indebtedness. The proposed regulations will narrow the group of creditors that must currently file information returns to report cancellation of indebtedness under the existing regulations. The debt-buying industry, in particular, will be impacted by this guidance.
- **Names of person with whom drafting attorney coordinated the guidance and the outcome of that coordination:** Jeanne F. Ross of OTP provided guidance in development of proposed regulation. Draft of proposed regulation shared with Ms. Ross at OTP and comments have been incorporated into the updated drafts.
- **Impact on pending litigation and coordination with Department of Justice, as appropriate:** None.
- **Whether the guidance is controversial (either internally or externally):** The proposed regulations will narrow the group of creditors subject to information reporting under section 6050P, a favorable result for the industry.
- **Critical dates, if any, for publication:** None.