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MEMORANDUM

To: Reporters and Editor
Re: Debt forgiveness tax relief
Da: Friday, Dec. 14, 2007

Today the Senate passed a bipartisan provision to give tax relief to taxpayers who restructure their home loans to avoid foreclosure or who have lost their homes to foreclosure. Under current law, if a lender forgives or cancels a mortgage, the tax code treats it as cancellation of debt income subject to tax. The Senate today passed a provision to exclude qualified cancellation of debt income for three years. The proposal is different from a House-passed proposal, in that the Senate proposal ends after three years, and the House must consider the Senate-amended proposal next. Sen. Chuck Grassley, ranking member of the Finance Committee, with jurisdiction over taxes, in September urged the Treasury Department and IRS to take action to help working families in this tax situation. He was a lead sponsor of the proposal approved today and made the following comment on today's action.

“Many Americans are facing real financial difficulties because of increased mortgage payments. These families are confronting the reality of defaulting and losing their home or working with lenders to reduce the loan amount. As these families struggle to reduce their home loan debt, they're hit by taxes due to debt forgiveness from the lender. It's right to offer them tax relief. I hope it will help them keep their homes. I also hope it'll help the nation recover from the housing decline over the next three years and get this part of the economy back on track. I look forward to fast enactment of this provision.”