

April 6, 2023

**Changes in Tax Reporting for 2022 Payments Received Under
Inflation Reduction Act of 2022 Section 22006**

Dear FSA Borrower,

You are receiving this letter because you are a direct loan borrower who received financial assistance in 2022 from the Farm Service Agency (FSA), pursuant to Section 22006 of the Inflation Reduction Act (IRA), related to an eligible direct farm loan. You should have received notification of this assistance last year. **This letter is a notification of some options that may be available to you to potentially avoid or alleviate any tax burden incurred as a result of receiving that financial assistance.**

Section 22006 provided financial relief to distressed borrowers of direct and guaranteed FSA loans to keep borrowers farming, remove obstacles that prevent many borrowers from returning to their land, and improve the way that USDA approaches borrowing and loan servicing in the long-term. In October 2022, nearly \$600 million in assistance was applied to the loan accounts of approximately 11,000 direct borrowers who were 60 or more days delinquent as of September 30, 2022, in order to bring those accounts current and cover the next installment due.

Earlier this year, you received a Form 1099-G, *Certain Government Payments*, from FSA that reported the financial assistance you received under the IRA Farm Loan Relief Direct line item. Form 1099-G reports government payments that may be taxable. Enclosed with this letter is a Form 1099-C, *Cancellation of Debt*, reporting the portion of your FSA payments that was made under the IRA Farm Loan Relief Direct line item. Form 1099-C reports cancellation of debt. In a separate envelope, you will also be receiving (or may have already received) a corrected Form 1099-G, subtracting the amount that now will be reported on Form 1099-C from the amount previously reported on Form 1099-G. If you received other payments from USDA, such as disaster assistance or Section 22006 payments for guaranteed loans, those will still be reported on the corrected Form 1099-G.

Depending upon your circumstances, the IRA payment reported on your new Form 1099-C may be excluded from your income. Please consult a tax professional with all tax-related questions related to the IRA assistance you received.

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IRS Publication 225, *Farmer's Tax Guide*, is a good basic resource that covers a variety of farm-related tax issues, including a discussion of the Form 1099-C, and the procedures, forms and worksheets necessary to determine whether canceled debt is includible in income for Federal tax purposes. Please see: <https://www.irs.gov/pub/irs-pdf/p225.pdf>.

USDA is working to provide educational materials and is also working with farm tax experts to offer educational webinars for farmers and tax professionals on farmers.gov/taxes. The USDA cannot and does not provide tax advice but wants you to be aware of options that may help manage your tax liability.

Next Steps for Direct Loan Borrowers Who Received Section 22006 Assistance:

With a tax filing deadline on April 18, 2023, **you should consult a tax professional** as soon as possible to discuss your options, including:

- **Whether to seek an extension to file your income tax return,**
- **Whether you might meet the criteria for this cancellation of indebtedness to be excluded from income under section 108 of the Internal Revenue Code, and**
- **Whether any other strategies are available for managing your tax liabilities.**

This review with a tax professional may involve verifying insolvency using the IRS insolvency worksheet and completing Form 982, *Reduction of Tax Attributes Due to Discharge of Indebtedness* (see Form 982, <https://www.irs.gov/pub/irs-pdf/f982.pdf> and *Insolvency Worksheet*, https://www.irs.gov/publications/p4681#en_US_2022_publink100033600). https://www.irs.gov/publications/p4681#en_US_2022_publink100033600).

If you have already filed your taxes for the year you may want to consult a tax professional about amending your income tax return. If you have already filed your taxes and are not seeking to exclude this cancellation of indebtedness from income, you do not need to amend your return.

Availing yourself of any of your potential options under the Internal Revenue Code **does not** impact your status with USDA or eligibility for future farm loans. The assistance provided by IRA Section 22006 **does not** trigger ineligibility under the statutory provision that prohibits FSA from making direct and guaranteed loans to anyone who has received prior debt forgiveness. However, in some cases there may be other circumstances or earlier actions that may continue to impact your eligibility. If you have questions, contact your loan officer or make a request through the FSA Call Center at 1-877-508-8364 before December 31, 2023. This virtual call center operated by FSA employees is available during the hours of 7:30am and 8:00pm EST to receive calls from customers nationwide.

You are receiving this letter because you are a direct loan borrower. If you also have received assistance as a Guaranteed Loan borrower, it is not part of this reclassification and will still be reflected on your Form 1099-G.

If you determine, after considering your options, to decline the IRA Section 22006 assistance received in 2022, you may decline the assistance by contacting your loan officer or the FSA Call Center at 1-877-508-8364 before December 31, 2023. Declining the assistance may reinstate a delinquency or debt and we encourage you to seek information on the potential ramifications or other options to manage your account that may apply (e.g., primary loan servicing).

Coming Soon from FSA:

In the coming days, FSA will share a recently recorded webinar on youtube.com/@FarmersGov/playlists explaining the new and corrected tax documents and outlining next steps recipients of 22006 assistance can take. FSA will then hold a more in-depth tax webinar for recipients of Section 22006 assistance on April 19, 2023, from 2pm to 3:30pm EST, which will provide additional information on how to navigate tax preparation, manage potential tax burdens, and provide an opportunity to answer producer questions. This webinar will be recorded and made publicly available for those who cannot attend the live event. You may invite your tax preparer to attend the webinar as well. Please visit farmers.gov/taxes to register for this webinar. [Farmers.gov/taxes](https://farmers.gov/taxes) contains a library of resources on agricultural taxes, webinar recordings, and informational documents you can share with a tax professional to help you navigate tax filing season.

Sincerely,

A handwritten signature in black ink that reads "Zach Ducheneaux". The signature is written in a cursive, flowing style.

Zach Ducheneaux
Administrator