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**For Immediate Release**  
February 21, 2008

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**Help Is Available to Foreclosure Victims Facing Big Tax Bills**  
*Losing one's home doesn't have to lead to tax debt*

(Chicago, IL) -- Nearly 91,000 Illinois residents who lost their homes to foreclosure in 2007 were in line to experience another hardship this year: pay taxes on phantom income when lenders cancel some of the debt they owe. Thanks to a new IRS law, struggling homeowners may be able to get a tax break, but understanding the issues of cancelled debt rank among the biggest headaches facing taxpayers. Fortunately, free help is available through the Center for Economic Progress' foreclosure hotline.

"It's no secret that families are losing their homes at an alarming rate," says David Marzahl, Executive Director of the Center for Economic Progress, a Chicago-based non-profit that provides free tax and financial services. "Unfortunately, few are talking about the tax situation that people find themselves in after they complete the foreclosure process – or how confusing it is to get out of it. We want to make sure eligible homeowners take advantage of the special tax relief."

According to the IRS, mortgage debt forgiven during foreclosure is considered income – and taxed as such. For many victims of the current foreclosure crisis that has meant thousands of dollars of tax debt. Those who lost their homes in 2007 or 2008, however, can avoid this financial burden thanks to a new IRS provision that allows most low-income families to cancel out their foreclosure tax debt. The new IRS rule will also apply to foreclosures that happen in 2009.

To have foreclosure-related tax debt cancelled:

- 1) The borrower must have lost their home in 2007, 2008, or 2009.
- 2) The borrower must have owed less than \$2 million on their mortgage at the time of foreclosure.
- 3) The house foreclosed on must have been their primary residence.

Unfortunately, completing the cancellation process is proving to be extraordinarily difficult for the average homeowners. In its annual report to Congress, the National Taxpayer Advocate, the watchdog arm of the IRS, cited that the tax treatment of cancelled debts – the rules in forms, publications, and instructions – make it extremely complex and poses a significant challenge to affected taxpayers. The report highlights the fact that the IRS has also declared the subject of cancelled debt out-of-scope at its walk-up centers.

The Center for Economic Progress is offering tax counseling for Illinois residents who lost their home in 2007. The Center is able to serve families and individuals within 250% of the Federal poverty line (approximately \$26,000 for an individual and \$53,000 for a family of four). Those who have already filed their 2007 tax return are still eligible to receive help.

Borrowers who have completed the foreclosure process can call our hotline to learn how to handle their unique tax situation and make an appointment for additional help, if needed. Borrowers who have received a 1099-C or 1099-A from their mortgage lender must bring these documents to their appointment to receive help.

For more information on the tax implications of foreclosure or to make an appointment, please call the Center for Economic Progress' foreclosure hotline at 312-630-0248.

**About the Center for Economic Progress**

The Center for Economic Progress encourages self-sufficiency and promotes economic prosperity among America's working families. Since 1990, the Center has built a reputation for innovative programs and forward-thinking initiatives -- using the tax code to help 175,000 low-income families achieve financial stability. Operating at the local, state, and national levels, the agency provides direct services, education, and advocacy to achieve its goals.

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**Note to Editors:**

Staff members at the Center for Economic Progress are nationally recognized experts on tax and financial issues affecting low-income working families. To reach the Center's experts, contact Melissa Spear at 312-630-0250. For more information about the Center, visit [www.centerforprogress.org](http://www.centerforprogress.org).