

A Paper: Including 1099-A on 1040

Building upon the following scenario:

1. A deposit is accepted and placed into an account
2. Said account's sole purpose is to lend energy (work that has been discounted to a fictitious monetary value) to a bank that accepts said energy's value
3. Said bank, in return, pays interest to said LENDER in addition to being responsible for paying taxes on said value lent
4. LENDER is due interest payments plus return of principle
5. BORROWER has the option, if LENDER does not claim ownership of energy lent, to claim said energy after a certain period of time
6. Therefore: LENDER must ascertain and solidify one's rightful claim on energy lent; otherwise: BORROWER will steal said energy and disrupt intended circuit

One question, of importance, is how loaned (deposited) credit can be re-funded to LENDER. I believe I have the answer or, at least, an idea on to which others can build. This paper outlines my idea and want of comments, questions, and additional information that can lead us to a common goal.

1099-A: Acquisition or Abandonment of Secured Property

When a LENDER loans assets to a BORROWER: A re-payment of lent principal is presumed. When a LENDER notes, within Box 5, a check mark to the left of “yes”: abandonment occurs. When said abandonment of secured property occurs: LENDER is availed the ability to deduct, as “an ordinary loss” (see Exhibit A), the amount listed on 1099-A/C (I am including a reference to form 1099-C as a talking point because forms 1099-A and 1099-C are congruous to the outcome one might seek; see Exhibit B).

3.

Abandonments

The abandonment of property is a disposition of property. You abandon property when you voluntarily and permanently give up possession and use of the property with the intention of ending your ownership but without passing it on to anyone else.

Loss from the abandonment of business or investment property is deductible as an ordinary loss, even if the property is a capital asset. The

Exhibit A:

Page 10: 2007 Publication 4861: Canceled Debts, Foreclosures, Repossessions, and Abandonments

(Source: <http://www.irs.gov/pub/irs-pdf/p4681.pdf>)

Coordination With Form 1099-C

If, in the same calendar year, you cancel a debt in connection with a foreclosure or abandonment of secured property, it is not necessary to file both Form 1099-A and Form 1099-C, Cancellation of Debt, for the same debtor. You may file Form 1099-C only. You will meet your Form 1099-A filing requirement for the debtor by completing boxes 5 and 7 on Form 1099-C. However, if you file both Forms 1099-A and 1099-C, do not complete boxes 5 and 7 on Form 1099-C. See the instructions for Form 1099-C on page 2.

Exhibit B:

Page 1: 2009 Instructions for Forms 1099-A and 1099-C (Source: <http://www.irs.gov/pub/irs-pdf/i1099ac.pdf>)

What is an “Ordinary Loss” and where is it placed on a 1040?

How to report. The kind of deduction you choose for your **loss** on deposits determines how you report your **loss**. If you choose:

- **Casualty loss**—report it on Form 4684 first and then on Schedule A (Form **1040**).
- **Ordinary loss**—report it on Schedule A (Form **1040**) as a miscellaneous itemized deduction.
- **Nonbusiness bad debt**—report it on Schedule D (Form **1040**).

Exhibit C:

Page 383: The Ernst & Young Tax Guide 2007

(Source: <http://books.google.com/books?>

id=VKK70NlmmI4C&pg=PA383&lpg=PA383&dq=where+to+place+ordinary+loss+on+1040&source=bl&ots=6GUGKhLmBb&sig=gsZxc7q-JXYbRwJ9CxEZJgvfDDk&hl=en)

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Conclusion

An important point, and rightfully so, is the fact that a box noting tax withholding is not listed on form 1099-A. So how does one re-coup lent assets? By canceling said debt, either with a 1099-A in concert with a 1099-C or 1099-C (Exhibit B), and claiming a refund of said debt not as a return of tax withheld but as a miscellaneous deduction! Note said deduction on Schedule A (<http://www.irs.gov/pub/irs-pdf/f1040sab.pdf>), line 28, and further: line 40 of Form 1040 (<http://www.irs.gov/pub/irs-pdf/f1040.pdf>).

Further: By canceling said “debt”: The BORROWER/DEBTOR is responsible for payment of tax on the amount of cancelled “debt” and the LENDER/CREDITOR is entitled to a deduction of said “debt” as a credit on line 40 of Form 1040.