

Bankruptcy? How to Avoid Taxes on Canceled Debt

Since 2008, the number of bankruptcies and home foreclosures has skyrocketed.

If it happened to you in 2013, your debt may have been canceled, but you could still owe the Internal Revenue Service taxes on that forgiven debt.

It's bad enough to lose your home to foreclosure, to have your car repossessed, or to be forced to file for bankruptcy. But as awful as those things are, your financial nightmare could be even worse when the IRS shows up and slaps you with a form 1099-C.

A 1099-C is a tax form that says you actually received "income" when your debt was forgiven. So on top of all the other bad news, the IRS expects you to pay taxes on that non-existent income, turning a difficult financial situation into an impossible one.

Tax expert Dan Pilla says you don't have to add insult to injury and you don't have to pay taxes on canceled debt.

His new book and DVD, called *How to Eliminate Taxes on Debt Forgiveness*, is a step-by-step guide on how to avoid paying taxes on canceled debt.

Dan Pilla appeared on *The 700 Club* to talk more about how to avoid getting hit with a tax bill, on Monday. Click play to watch.