



# SBA Information Notice

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**TO:** All SBA Employees, 7(a) Lenders, Microloan Intermediaries, and Certified Development Companies

**CONTROL NO.:** 5000-20067

**EFFECTIVE:** December 8, 2020

**SUBJECT:** Tax Issues Relating to the Payments Made on Behalf of Borrowers under Section 1112 of the CARES Act

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In April 2020, SBA began making payments under Section 1112 of the CARES Act to cover, for a 6-month period, the principal, interest, and any associated fees that small businesses owe on 7(a), 504, and Microloans (“Section 1112 payments”). These Section 1112 payments relieve the small businesses of the obligation to pay that amount. SBA is providing the following information to 7(a) Lenders, Microloan Intermediaries, and Certified Development Companies with respect to information reporting issues arising from the Section 1112 payments:

**Q: Who is responsible for filing Form 1099-MISC, Miscellaneous Income, with the IRS and furnishing Form 1099-MISC, Miscellaneous Income, to the small businesses for the Section 1112 payments?**

- A. In accordance with section 6041 of the Internal Revenue Code (“Code”) and the regulations thereunder, the following are responsible for issuing the Form 1099-MISC with respect to the Section 1112 payments:
- 7(a) Lenders are responsible for issuing the Form 1099-MISC for: (1) loans that have not been purchased by SBA, and (2) loans that have been purchased by SBA and are serviced by the 7(a) Lender. SBA is responsible for issuing the Form 1099-MISC for 7(a) loans that have been purchased, and are serviced, by SBA.
  - Microloan Intermediaries are responsible for issuing the Form 1099-MISC for the Microloans serviced by the Intermediaries. SBA is responsible for issuing the Form 1099-MISC for the Microloans that are serviced by SBA.
  - SBA is responsible for issuing the Form 1099-MISC for all 504 loans.

Lenders and Microloan Intermediaries should refer to the Instructions for Form 1099-MISC and the General Instructions for Certain Information Returns for more

information about filing and furnishing the forms, including requirements to file electronically. Microloan Intermediaries and 7(a) Lenders should contact IRS's Stakeholder Liaison Local Contacts at <https://www.irs.gov/businesses/small-businesses-self-employed/stakeholder-liaison-local-contacts> (link provided to SBA by the U.S. Department of the Treasury) with any questions concerning the information reporting of the Section 1112 payments.

**Q: What must be reported as income on the Form 1099-MISC?**

- A. The total amount of the Section 1112 payments must be reported as income to the Borrower, including the principal, interest and any fees that were included in the Section 1112 payments. This total amount should be included in Box 3 of Form 1099-MISC.

**Q: For the 7(a) Lenders and Microloan Intermediaries who are responsible for issuing the Form 1099-MISC, who should be identified as the "PAYER" and "RECIPIENT" in Form 1099-MISC?**

- A. The 7(a) Lender and Microloan Intermediary should be identified as the PAYER in the "Payer" box in Form 1099-MISC, with its name, street address, city or town, state or province, country, ZIP code, and telephone number. The Borrower of the 7(a) loan or the Microloan should be listed as the "RECIPIENT" in Form 1099-MISC.

**Q: With respect to Form 1098, Mortgage Interest Statement, should the form include the amount of interest that was paid on the loan by the Section 1112 payments?**

- A. In accordance with section 6050H of the Code and the regulations thereunder, the amount of interest paid on the loan by the Section 1112 payments should be reported to the IRS, and furnished to small businesses, on Form 1098, Mortgage Interest Statement.

**Questions**

Questions on this Notice may be directed to the Lender Relations Specialists in the local SBA Field office. The local SBA Field office may be found at <https://www.sba.gov/tools/local-assistance/districtoffices>. For additional information on information reporting of the Section 1112 payments, contact IRS's Stakeholder Liaison Local Contacts at <https://www.irs.gov/businesses/small-businesses-self-employed/stakeholder-liaison-local-contacts>.

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