

MEMO# 16686

October 20, 2003

DRAFT PAPER ON TAX TREATMENT OF DISTRESSED DEBT

[16686] October 20, 2003 TO: TAX COMMITTEE No. 68-03 RE: DRAFT PAPER ON TAX TREATMENT OF DISTRESSED DEBT Attached is a draft paper on the tax treatment of distressed and speculative debt. The paper discusses several areas where the applicable law is unclear, and on which guidance could be requested from the IRS, including the nonaccrual of OID, the timing and character of charged-off coupon interest, and the allocation of amounts received on disposition of distressed and speculative debt to interest, OID, and principal (including market discount). The Tax Committee will discuss this draft paper at the subcommittee meeting on October 29, 2003 or at the full committee meeting on October 30, 2003. David Orlin Assistant Counsel Attachment (in .pdf format)

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