

**UNITED STATES BANKRUPTCY ADMINISTRATOR
MIDDLE DISTRICT OF NORTH CAROLINA**

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January 30, 2025

Via E-Mail to All Chapter 7 Panel Trustees

Re: IRS Form 1099s

Dear Trustees,

One of you recently reached out for guidance about the issuance of 1099s in connection with estate distributions.

Generally speaking, “every person engaged in a trade or business” must file Form 1099s for payments of \$600 or more for made for “[s]alaries, wages, commissions, fees, and other forms of compensation for services rendered” or “[i]nterest (including original issue discount), rents, royalties, annuities, pensions, and other gains, profits, and income.” *See* 26 U.S.C. § 6041(a); 26 C.F.R § 1.6041-1.

There is uncertain authority regarding whether a chapter 7 trustee must issue 1099’s for payments made from a bankruptcy estate. Some trustees issue Form 1099s for payments made for services over \$600, commonly consisting of payments to attorneys, accountants, or other parties that provide services in connection with the administration of the estate. Others have asserted that, as chapter 7 trustees administering a bankruptcy estate, they are not engaged in a trade or business.

The Handbook for Chapter 7 Trustees promulgated by the EOUST includes the following paragraph:

The trustee may also have to file information returns (Form 1099 series) if certain payments are made. For example, Form 1099-INT must be supplied to the payee and to the IRS when a trustee makes certain interest payments. Similarly, the trustee may be required to issue to payees and to file with the IRS Form 1099-MISC when fees are paid to attorneys, accountants and other professionals for their work in assisting in the administration of the estate. Payments made to an attorney where the attorney’s fee cannot be determined (such as payment of a settlement) must also be reported to the IRS and the attorney. The trustee should consult with the tax professional to determine the appropriate threshold amounts required for filing these forms.

Handbook for Chapter 7 Trustees, at p. 4-10 (available [here](#)).

United States Bankruptcy Administrator – M.D.N.C.

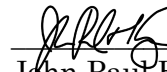
January 30, 2025

Page 2 of 2

That said, there is limited authority to support the argument that a chapter 7 bankruptcy trustee is not “engaged in a trade or business” unless authority to operate has been obtained under 11 U.S.C. § 721. In a 1991 private letter ruling, the IRS determined that a probate lawyer handling estates and serving as a public executor was not required to file Form 1099’s for “payments . . . [made] from the estates’ accounts for services rendered to the estate or previously provided to the respective decedents or protected persons.” I.R.S. P.L.R. 9102013 (Jan. 11, 1991). It concluded that such payments were not made in the course of the executor’s trade or business, and the executor was “merely paying for personal services previously provided to the estate or to [the decedent].” *Id.* By the same token, if an executor operates a business that is part of the decedent’s estate, the IRS concludes that Form 1099’s are required. *See* Rev. Rul. 69-601, 1969-2 C.B. 243.

Given the sparse authority on this issue, our office supports either approach. You may decide to issue Form 1099’s when payments are issued for services provided to the estate of \$600 or more. Trustee software providers include tools to make generating Form 1099s convenient. Alternatively, you may conclude that chapter 7 trustees are not obligated to issue Form 1099’s unless they operate a business as part of the estate’s administration.

Please feel free to call me with any questions and thank you for your hard work!



John Paul H. Cournoyer
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Middle District of North Carolina