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Proposed Relief for Cancellation of Debt Income

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On January 23, Senate Finance Committee Chairman Max Baucus released a markup of the draft "economic stimulus" bill, known as the American Recovery and Reinvestment Act of 2009. A proposal included in that package would permit a taxpayer to defer cancellation of debt income ("COD Income"), making it possible for debtors to repurchase their own debt at a discount without suffering an immediate U.S. federal income tax liability.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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