

Optometry Coding & Billing Alert

Reader Questions: Avoid Sending 1099 to Patients for a Bad Debt

Question: We ended up writing off some patient balances as bad debts. Should we be sending those patients an IRS 1099-C form?

Arkansas Subscriber

Answer: There is a lot of conflicting information circulating about whether you can -- or should -- send an IRS form 1099-C to a patient when you write off her account balance, but the bottom line is that you should not.

What it is: A 1099-C form is a cancellation-of-debt form. The IRS instructions state that "if a federal government agency, certain agencies connected to the federal government, financial institution, credit union, or an organization having a significant trade or business of lending money (such as a finance or credit-card company) cancels or forgives a debt you owe of \$600 or more, this form must be provided."

What it means to you: You don't meet the IRS requirements, so you should not send a 1099-C form to a patient when you write off her account balance. In fact, you could get in serious trouble if the patient gets upset and goes to the IRS about the incorrect 1099.

Best bet: If you want to collect the bad debt from the patient, you need to find another route, such as small-claims court, rather than sending her a 1099.