

## **The Importance of Creditor Deadlines**

When you are in charge of administering an estate, timing is everything. One particularly important deadline to be aware of is the deadline for creditors of the decedent to bring a claim against the estate. In Pennsylvania, a creditor has one year from the date of first publication of the grant of letters to bring a claim against the estate.

This deadline is important for two reasons if you are administering an estate. First, it means that the sooner you open the estate, receive your authority from the county's Register of Wills, and publish notice of your authority in the newspaper, the sooner this one-year deadline begins to run.

Second, and perhaps more importantly, it means that, if notice was properly given, a creditor is out of luck if it makes its claim, in any form, after the one-year deadline. The claim can come in the straight forward form of a bill on a debt, such as a credit card or medical bill. But if that creditor is notifying the estate administrator for the first time that a debt is owed after the one-year mark, the creditor is late and out of luck.

A claim can come in a more hidden form. I recently saw an example of a more hidden late claim against an estate. The decedent died several years ago and an estate was opened. The estate administrator collected all the information she could find regarding possible debts of the decedent, and sent notices to the creditors of the decedent's death. At the same time, the estate administrator requested more information regarding the exact amounts of any outstanding balances, as of the date of death. More than one year passed from the date of first publication (and the date of the communication to the creditor) with no response or claim from one of the creditors. The estate administrator completes the work that needs to be done on the estate shortly after the one-year deadline.

This tax year, that silent creditor resurfaced and sent the estate administrator a 1099-C indicating that it "forgave" or cancelled the debt of the decedent. In general, the amount indicated on the 1099-C must be reported as income on the tax return individual identified on the 1099-C. Also, a cancelled debt is deductible to a creditor on its tax returns. In this situation, however, debt was no longer valid because the one-year deadline had run. The creditor should not have sent out of the Form 1099-C to the estate administrator nor filed the Form with the IRS. Unfortunately, because the Form 1099-C has been filed with the IRS, there may be tax consequences and liability to the estate and possibly the estate administrator if the Form is simply ignored.

Knowing the deadlines is just one of the responsibilities of an estate administrator. If you have any questions regarding this or other issues of estate administration, please do not hesitate to contact me to schedule a consultation at 717-657-7770.

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