If you had a severance claim and sold to Hain, please see the communication from David Klyman of Hain Capital below. Even if you did not sell to Hain, the Debtors indicated that they would be treating withholding issues the same across the board for all claims as of the time that Hain and the Debtors discussed this prior to Hain making a distribution to the severance recipients, so likely, that is the same treatment for any sold claim. We would suggest that if you want further clarification for claims not sold to Hain but other claim traders, you can contact the Debtors.

LTDers that have contacted the IRS have been referred to IRS Pub 525 page 2, column 2 (assignment of income).


Assignment of income. Income received by an agent for you is income you constructively received in the year the agent received it. If you agree by contract that a third party is to receive income for you, you must include the amount in your income when the third party receives it. (emphasis added).

Please consult with your own tax advisor, this is simply being passed along to assist you in your conversations with your tax advisor and not to be relied upon as legal advice.

Important Note Regarding Severance

From: David Klyman <DKlyman@haincapital.com>
Subject: RE: Clarification on Nortel Long Term Disability Severance Claim 1099 forms
Date: February 28, 2014 at 8:51:18 AM CST
To: Dikens Tom <tdikens@verizon.net>

Hi Tom,

Thank you for your email.

I have been contacted by many individuals of your group and I have responded. Hain Capital will not issue any tax document or report anything to the IRS. We understand that this will be up to Nortel to do at the time of recovery. We believe that once the case has been finalized Nortel will remit the withholding to the IRS and then issue tax documents to the original holders of the claim. Even though the title to the claim has been transferred to Hain, since the character of the claim has not changed each individual should receive their tax document.

We are not able to offer any tax advice but I have heard from other creditors that there are two approaches to the taxes. The first approach is that you would not declare any of the income you received from Hain until the case settles and a tax event occurs. Since there has not been any reporting to the IRS until then, you would wait until a tax event has occurred and then report it on your tax return utilizing the tax document you had
then received. We understand that if there is a discrepancy between the amount that has been paid and the amount you should pay then you would apply for a refund through your return. The other approach is that you would declare it in the year that you received the money from us and then when you receive your tax document, you should then receive a refund for the tax paid since you have already made your payment.

I think it would be much more efficient if the individuals would contact you directly but they are welcome to call me as well. Please keep in mind that we are not certain that what I have described is correct but only our view through discussions with tax experts and the debtor.

Best regards,

David Klyman
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