

2015



Department of the Treasury
Internal Revenue Service

Instructions for Form 1099-S

Proceeds From Real Estate Transactions

Section references are to the Internal Revenue Code unless otherwise noted.

Future Developments

For the latest information about developments related to Form 1099-S and its instructions, such as legislation enacted after they were published, go to www.irs.gov/form1099s.

Reminder

In addition to these specific instructions, you should also use the 2015 General Instructions for Certain Information Returns. Those general instructions include information about the following topics.

- Who must file (nominee/middleman).
- When and where to file.
- Electronic reporting requirements.
- Corrected and void returns.
- Statements to recipients.
- Taxpayer identification numbers.
- Backup withholding.
- Penalties.
- Other general topics.

You can get the general instructions from www.irs.gov/form1099s or by calling 1-800-TAX-FORM (1-800-829-3676).

Specific Instructions

File Form 1099-S, Proceeds From Real Estate Transactions, to report the sale or exchange of real estate.

Reportable Real Estate

Generally, you are required to report a transaction that consists in whole or in part of the sale or exchange for money, indebtedness, property, or services of any present or future ownership interest in any of the following:

1. Improved or unimproved land, including air space;
2. Inherently permanent structures, including any residential, commercial, or industrial building;
3. A condominium unit and its appurtenant fixtures and common elements, including land;
4. Stock in a cooperative housing corporation (as defined in section 216); and
5. Any non-contingent interest in standing timber.

Sale or exchange. A sale or exchange includes any transaction properly treated as a sale or exchange for federal income tax purposes, even if the transaction is not currently taxable. For example, a sale of a main home may be a reportable sale even though the transferor may be entitled to exclude the gain under section 121. But see *Exceptions*, later. Also, a transfer to a corporation that qualifies for nonrecognition of gain under section 351 is a reportable exchange. In addition, a transfer under a land contract is reportable in the year in which the parties enter into the contract.

Ownership interest. An ownership interest includes fee simple interests, life estates, reversions, remainders, and perpetual easements. It also includes any previously created rights to possession or use for all or part of any particular year (for example, a leasehold, easement, or timeshare), if such rights

have a remaining term of at least 30 years, including any period for which the holder may renew such rights, determined on the date of closing. For example, a preexisting leasehold on a building with an original term of 99 years and a remaining term of 35 years on the closing date is an ownership interest; however, if the remaining term is 10 years, it is not an ownership interest. An ownership interest does not include any option to acquire real estate. An ownership interest also includes any contractual interest in a sale or exchange of standing timber for a lump-sum payment that is fixed and not contingent.

Involuntary conversion. A sale of real estate under threat or imminence of seizure, requisition, or condemnation is generally a reportable transaction.

Timber. Report on Form 1099-S payments of timber royalties made under a pay-as-cut contract, reportable under section 6050N. For more information, see Announcement 90-129, 1990-48 I.R.B. 10.

Exceptions

The following is a list of transactions that are not reportable; however, you may choose to report them. If you do, you are subject to the rules in these instructions.

1. Sale or exchange of a residence (including stock in a cooperative housing corporation) for \$250,000 or less if you received an acceptable written assurance (certification) from the seller that such residence is the principal residence (within the meaning of section 121) of the seller and the full amount of the gain on such sale is excludable from gross income under section 121. If the certification includes an assurance that the seller is married, the preceding sentence shall be applied by substituting "\$500,000" for "\$250,000." If there are joint sellers, you must obtain a certification from each seller (whether married or not) or file Form 1099-S for any seller who does not make the certification. The certification must be signed by each seller under penalties of perjury.

A sample certification format can be found in Revenue Procedure 2007-12, 2007-4 I.R.B. 354, available at www.irs.gov/irb/2007-04_IRB/ar09.html.



Rev. Proc. 2007-12 does not reflect changes made by Public Law 110-289, section 3092(a), which added section 121(b)(4) [sic (5)]. The sample certification included in Rev. Proc. 2007-12 does not include an assurance that there has been no period of nonqualified use (as that term is defined in section 121(b)(4) [sic (5)](C)) after December 31, 2008. Also, the sample certification included in Rev. Proc. 2007-12 does not include an assurance, as required by section 6045(e)(5)(A)(iii), that the full amount of the gain from the sale is excludable under section 121.

You may get the certification any time on or before January 31 of the year after the year of sale. You may rely on the certification and not file or furnish Form 1099-S unless you know that any assurance on the certification is incorrect.

You must keep the certification for 4 years after the year of sale. You may keep the certification on paper, microfilm, microfiche, or in an electronic storage system.

You are not required to obtain the certification. However, if you do not obtain it, you must file and furnish Form 1099-S.

2. Any transaction in which the transferor is a corporation (or is considered to be a corporation under Regulations section 1.6045-4(d)(2)); a governmental unit, including a foreign government or an international organization; or an exempt volume transferor. Under this rule, if there are exempt and nonexempt transferor, you must file Form 1099-S only for the nonexempt transferor.

An exempt volume transferor is someone who sold or exchanged during the year, who expects to sell or exchange during the year, or who sold or exchanged in either of the 2 previous years at least 25 separate items of reportable real estate to at least 25 separate transferees. In addition, each item of reportable real estate must have been held, at the date of closing, or will be held, primarily for sale or resale to customers in the ordinary course of a trade or business. You are not required to report an exempt volume transferor's transactions if you receive the penalties of perjury certification required by Regulations section 1.6045-4(d)(3).

3. Any transaction that is not a sale or exchange, including a bequest, a gift (including a transaction treated as a gift under section 1041), and a financing or refinancing that is not related to the acquisition of real estate.

4. A transfer in full or partial satisfaction of a debt secured by the property. This includes a foreclosure, a transfer in lieu of foreclosure, or an abandonment.

5. A *de minimis* transfer for less than \$600. A transaction is *de minimis* if it can be determined with certainty that the total money, services, and property received or to be received is less than \$600, as measured on the closing date. For example, if a contract for sale provides for total consideration of "\$1.00 plus other valuable consideration," the transfer is not a *de minimis* transfer unless you can determine that the "other valuable consideration" is less than \$599, as measured on the closing date. The \$600 rule applies to the transaction as a whole, not separately to each transferor.

No reporting is required for the sale or exchange of an interest in the following types of property, provided the sale is not related to the sale or exchange of reportable real estate.

- An interest in surface or subsurface natural resources (for example, water, ores, or other natural deposits) or crops, whether or not such natural resources or crops are severed from the land. For this purpose, the terms "natural resources" and "crops" do not include standing timber. For timber royalties, see *Timber*, earlier.
- A burial plot or vault.
- A manufactured structure used as a dwelling that is manufactured and assembled at a location different from that where it is used, but only if such structure is not affixed, on the closing date, to a foundation. This exception applies to the transfer of an unaffixed mobile home that is unrelated to the sale or exchange of reportable real estate.

Who Must File

Generally, the person responsible for closing the transaction, as explained in 1 below, is required to file Form 1099-S. If no one is responsible for closing the transaction, the person required to file Form 1099-S is explained in 2, later. However, you may designate the person required to file Form 1099-S in a written agreement, as explained under 3, later.

1. If you are the person responsible for closing the transaction, you must file Form 1099-S. If a Settlement Statement (HUD-1) prescribed under the Real Estate Settlement Procedures Act of 1974 (RESPA) is used and a person is listed as the settlement agent on the statement, the person responsible for closing the transaction is the person listed as the settlement agent on that statement. A HUD-1 includes any amendments, variations, or substitutions that may be prescribed under RESPA if any such form requires disclosure of the

transferor and transferee, the application of the proceeds, and the identity of the settlement agent or other person responsible for preparing the form.

If a HUD-1 is not used, or no settlement agent is listed, the person responsible for closing the transaction is the person who prepares the closing statement, including a settlement statement (including a HUD-1) or other written document that identifies the transferor and transferee, reasonably identifies the real estate transferred, and that describes how the proceeds are to be or were disbursed.

If no closing statement is used, or if two or more statements are used, the person responsible for closing the transaction is, in the following order:

- a. The transferee's attorney who is present at the delivery of either the transferee's note or a significant part of the cash proceeds to the transferor or who prepares or reviews the preparation of the documents transferring legal or equitable ownership;
- b. The transferor's attorney who is present at the delivery of either the transferor's note or a significant part of the cash proceeds to the transferor or who prepares or reviews the preparation of the documents transferring legal or equitable ownership; or
- c. The disbursing title or escrow company that is most significant in disbursing gross proceeds.

If there is more than one attorney described in (a) or (b), the one whose involvement is most significant is the person considered responsible for closing the transaction.

2. If no one is responsible for closing the transaction as explained in 1 above, the person responsible for filing is, in the following order: (a) the mortgage lender, (b) the transferor's broker, (c) the transferee's broker, or (d) the transferee.

For purposes of 2 above, apply the following definitions.

- a. Mortgage lender means a person who lends new funds in connection with the transaction, but only if the loan is at least partially secured by the real estate. If there is more than one lender, the one who lends the most new funds is the mortgage lender. If several lenders advance equal amounts of new funds, and no other person advances a greater amount of new funds, the mortgage lender is the one who has the security interest that is most senior in priority. Amounts advanced by the transferor are not treated as new funds.
- b. Transferor's broker means the broker who contracts with the transferor and who is compensated for the transaction.
- c. Transferee's broker means the broker who significantly participates in the preparation of the offer to acquire the property or who presents such offer to the transferor. If there is more than one such person, the transferee's broker is the one who most significantly participates in the preparation of the acquisition offer. If there is no such person, the one who most significantly participates in the presentation of the offer is the transferee's broker.
- d. Transferee means the person who acquires the greatest interest in the property. If no one acquires the greatest interest, the transferee is the person listed first on the ownership transfer documents.

3. Designation agreement. You can enter into a written agreement at or before closing to designate who must file Form 1099-S for the transaction. The agreement will identify the person responsible for filing if such designated person signs the agreement. It is not necessary that all parties to the transaction (or that more than one party) enter into the agreement.

You may be designated in the agreement as the person who must file if you are the person responsible for closing the transaction (as explained in 1 under *Who Must File*, earlier), the transferee's or transferor's attorney (as explained in 1 under

Who Must File, earlier), the title or escrow company that is most significant in disbursing gross proceeds, or the mortgage lender (as explained in 2a under *Who Must File*, earlier).

The designation agreement may be in any written form and may be included on the closing statement. It must:

- a. Identify by name and address the person designated as responsible for filing,
- b. Include the names and addresses of each person entering into the agreement,
- c. Be signed and dated by all persons entering into the agreement,
- d. Include the names and addresses of the transferor and transferee, and
- e. Include the address and any other information necessary to identify the property.

Each person who signs the agreement must keep it for 4 years.



For each transaction, be sure that only one person is responsible for filing and that only one Form 1099-S is filed for each transferor.

Employees, Agents, and Partners

If an employee, agent, or partner, acting within the scope of such person's employment, agency, or partnership, participates in a real estate transaction, only the employer, principal, or partnership (not the employee, agent, or partner) may be the reporting person. However, the participation of a person listed on the HUD-1 as the settlement agent acting as an agent of another is not attributed to the principal.

Foreign Transferors

Sales or exchanges involving foreign transferors are reportable on Form 1099-S. For information on the transferee's responsibility to withhold income tax when a U.S. real property interest is acquired from a foreign person, see Pub. 515, *Withholding of Tax on Nonresident Aliens and Foreign Entities*.

Multiple Transferors

For multiple transferors of the same real estate, you must file a separate Form 1099-S for each transferor. At or before closing, you must request from the transferors an allocation of the gross proceeds among the transferors. The request and the response are not required to be in writing. You must make a reasonable effort to contact all transferors of whom you have knowledge. However, you may rely on the unchallenged response of any transferor, and you need not make additional contacts with other transferors after at least one complete allocation is received (100% of gross proceeds, whether or not received in a single response). If you receive the allocation, report gross proceeds on each Form 1099-S accordingly.

You are not required to, but you may, report gross proceeds in accordance with an allocation received after the closing date but before the due date of Form 1099-S (without extensions). However, you cannot report gross proceeds in accordance with an allocation received on or after the due date of Form 1099-S (without extensions).

If no gross proceeds are allocated to a transferor because no allocation or an incomplete allocation is received, you must report the total unallocated gross proceeds on the Form 1099-S made for that transferor. If you do not receive any allocation or you receive conflicting allocations, report on each transferor's Form 1099-S the total unallocated gross proceeds.

Spouses. If the transferors were spouses at the time of closing, who held the property as joint tenants, tenants by the entirety, tenants in common, or as community property, treat them as a single transferor. Only one Form 1099-S showing either of them

as the transferor is required. You need not request an allocation of gross proceeds if spouses are the only transferors. But if you receive an uncontested allocation of gross proceeds from them, file Form 1099-S for each spouse according to the allocation. If there are other transferors, you must make a reasonable effort to contact either spouse to request an allocation.

Partnerships. If the property is transferred by a partnership, file only one Form 1099-S for the partnership, not separate Forms 1099-S for each partner.

Multiple Assets Sold

If real estate is sold or exchanged and other assets are sold or exchanged in the same transaction, report the total gross proceeds from the entire transaction on Form 1099-S.

Taxpayer Identification Numbers (TINs)

You must request the transferor's TIN no later than the time of closing. The TIN request need not be made in a separate mailing. Rather, it may be made in person, in a mailing that includes other items, or electronically. The transferor is required to furnish his or her TIN and to certify that the TIN is correct. For U.S. persons (including U.S. resident aliens), you may request a TIN on Form W-9, *Request for Taxpayer Identification Number and Certification*. Foreign persons must provide their TIN to you on the appropriate Form W-8. See part J in the 2015 *General Instructions for Certain Information Returns*.

Alternatively, you may provide a written statement to the transferor similar to the following: "You are required by law to provide (insert name of person responsible for filing) with your correct taxpayer identification number. If you do not provide (insert name of person responsible for filing) with your correct taxpayer identification number, you may be subject to civil or criminal penalties imposed by law."

The solicitation must contain space for the name, address, and TIN of the transferor, and a place to certify under penalties of perjury that the TIN furnished is the correct TIN of the transferor. The certification must read similar to: "Under penalties of perjury, I certify that I am a U.S. person or U.S. resident alien and the number shown on this statement is my correct taxpayer identification number."

If you use a HUD-1, you may provide a copy of such statement, appropriately modified to solicit the TIN, to the transferor. Keep the Form W-9 or substitute form in your records for 4 years.

Separate Charge Prohibited

You may not charge your customers a separate fee for complying with the Form 1099-S filing requirements. However, you may take into account the cost of filing the form in setting the fees you charge your customers for services in a real estate transaction.

Statements to Transferors

If you are required to file Form 1099-S, you must furnish a statement to the transferor. Furnish a copy of Form 1099-S or an acceptable substitute statement to each transferor. For more information about the requirement to furnish a statement to the transferor, see part M in the 2015 *General Instructions for Certain Information Returns*.



You are not required to indicate on Form 1099-S that the transferor's (seller's) financing was federally subsidized. Also, you are not required to enter the following:

- *Both total gross proceeds and the allocated gross proceeds for a multiple transferor transaction (enter either one or the other);*

- An indication that the transferor may receive property or services for an obligation having a stated principal amount; or
- An indication that, in connection with a contingent payment transaction, the transferor may receive gross proceeds that cannot be determined with certainty under the regulations and is not included in gross proceeds.

Truncating transferor's identification number on payee statements. Pursuant to Treasury Regulation section 301.6109-4, all filers of this form may truncate a transferor's identification number (social security number (SSN), individual taxpayer identification number (ITIN), adoption taxpayer identification number (ATIN), or employer identification number (EIN)) on payee statements. Truncation is not allowed on any documents the filer files with the IRS. A filer's identification number may not be truncated on any form. See part J in the 2015 General Instructions for Certain Information Returns.

Filer's Name, Address, and Telephone Number Box

Enter the name, address, and telephone number of the person who is filing Form 1099-S. The name and address must be the same as the filer information reported on Form 1096.

Transferor's Name and Address Box

Enter the name and address of the seller or other transferor of the real estate. If spouses are joint sellers, it is only necessary to enter one name and the TIN for that person on the form.

Account Number

The account number is required if you have multiple accounts for a recipient for whom you are filing more than one Form 1099-S. Additionally, the IRS encourages you to designate an account number for all Forms 1099-S that you file. See part L in the 2015 General Instructions for Certain Information Returns.

Box 1. Date of Closing

Enter the closing date. On a HUD-1, the closing date is the settlement date. If a HUD-1 is not used, the closing date is the earlier of the date title transfers or the date the economic burdens and benefits of ownership shift to the transferee.

Box 2. Gross Proceeds

Enter the gross proceeds from the sale or exchange of real estate. Gross proceeds means any cash received or to be received for the real property by or on behalf of the transferor, including the stated principal amount of a note payable to or for the benefit of the transferor and including a note or mortgage paid off at settlement. If the transferee assumes a liability of the transferor or takes the property subject to a liability, such liability is treated as cash and is includible as part of gross proceeds. For a contingent payment transaction, include the maximum determinable proceeds. Also see *Multiple Assets Sold*, earlier.

If you are reporting a like-kind exchange of property for which no gross proceeds are reportable, enter 0 (zero) in box 2 and enter an "X" in the checkbox in box 4.

Gross proceeds do not include the value of property or services received or to be received by, or on behalf of, the transferor or separately stated cash received for personal property, such as draperies, rugs, or a washer and dryer.

Do not reduce gross proceeds by any expenses paid by the transferor, such as sales commissions, deed preparation, advertising, and legal expenses. If a HUD-1 is used for a transfer of real estate for cash and notes only, gross proceeds generally will be the contract sales price shown on that statement. If other property or services were exchanged, see the box 4 instructions, later.

Contingent payment transaction. A contingent payment transaction is one in which the receipt, by or on behalf of the transferor, is subject to a contingency. The maximum determinable proceeds means the greatest amount of gross proceeds possible if all the contingencies are satisfied. If the maximum amount of gross proceeds cannot be determined with certainty, the maximum determinable proceeds are the greatest amount that can be determined with certainty.

Box 3. Address or Legal Description (Including City, State, and ZIP Code)

Enter the address of the property, including the city, state, and ZIP code. If the address does not sufficiently identify the property, also enter a legal description, such as section, lot, and block. For timber royalties, enter "Timber royalties." For lump-sum timber payments, enter "Lump-sum timber payment."

Box 4. Check Here if the Transferor Received or Will Receive Property or Services as Part of the Consideration

If the transferor received or will receive property (other than cash and consideration treated as cash in computing gross proceeds) or services as part of the consideration for the property, enter an "X" in the checkbox in box 4.

Box 5. Buyer's Part of Real Estate Tax

For a real estate transaction involving a residence, enter the real estate tax paid in advance that is allocable to the buyer. You do not have to report an amount as allocable to the buyer for real estate taxes paid in arrears. You may use the appropriate information included on the HUD-1, or comparable form, provided at closing. For example, a residence is sold in a county where the real estate tax is paid annually in advance. The seller paid real estate taxes of \$1,200 for the year in which the sale took place. The sale occurred at the end of the 9th month of the real estate tax year. Therefore, \$300 of the tax paid in advance is allocated to the buyer, by reference to the amount of real estate tax shown on the HUD-1 as paid by the seller in advance, and is reported in box 5. See Notice 93-4, 1993-1 C.B. 295.