

Electronic Filing or Magnetic Media

Both the IRS and FTB offer electronic filing for sending information returns. File formats follow the IRS Publication 1220, *Specifications for Filing Forms 1098, 1099, 5498 and W-2G Electronically or Magnetically*.

If you are required to file 250 or more information returns, you must file electronically or magnetically. The 250-or-more requirement applies separately to each type of form. We encourage you to file electronically or magnetically even though you are filing fewer than 250 returns.

Paper Filing

If you do not file electronically or magnetically, you must file your paper Forms 1099 with the IRS along with transmittal Form 1096. When you file paper returns, IRS will forward the California information to FTB. Do not send the State copy of the paper form to IRS. You may keep it with your records.



Where is additional information?

Franchise Tax Board
www.ftb.ca.gov

Information Reporting

What and How to File
(916) 845-6304
IRPhelp@ftb.ca.gov

Magnetic Media and Internet Files

Data Exchange Assistance
(916) 845-3778
DESHELP@ftb.ca.gov

CA Tax Information Center
www.taxes.ca.gov

Internal Revenue Service
www.irs.gov

Information Reporting

What and How to File
(866) 455-7438

Magnetic Media and Internet Files

Data Exchange Assistance
(866) 455-7438
mccirp@irs.gov

FTB 4201RE (REV 01-2006)

1099 Reporting for Real Estate Brokers



Franchise Tax Board
www.ftb.ca.gov

Real estate brokers are required to report real estate commission payments of \$600 or more to brokers and agents on Form 1099-MISC, Box 7 – Nonemployee Compensation. You are not required to report commission payments made to a corporation.

The Franchise Tax Board has prepared this brochure to educate California Real Estate Brokers about 1099 reporting requirements for commission payments made to brokers and agents.

Who files information returns for real estate commission payments?

The following scenarios describe who is obligated to report commission payments.

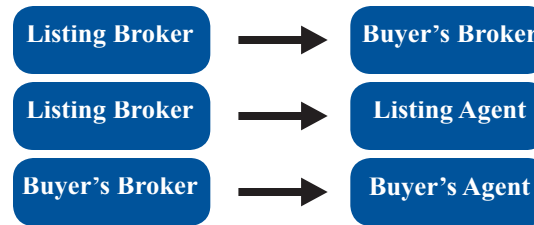
Scenario (1)

Mr. Smith is selling his residential property and lists his house with Agent Jones, an agent with XYZ Realtors. Mr. Brown makes an offer to purchase the home using Agent White, an agent with HJK Realty. The offer is accepted and escrow closes.

Here are the 1099-MISC reporting obligations for the commission payments:

- Mr. Smith (seller) does not have a reporting obligation since he has not engaged in the course of a trade or business.
- XYZ Realtors (listing broker) has an obligation to report commission payments made to HJK Realty (buyer's broker).
- XYZ Realtors (listing broker) has an obligation to report commission payments made to Agent Jones (listing agent).
- HJK Realty (buyer's broker) has an obligation to report commission payments made to Agent White (buyer's agent).
- Mr. Brown (buyer) does not have a reporting obligation.

As illustrated below, the listing broker must report the commission payments made to the buyer's broker and the listing agent as illustrated. Also, the buyer's broker must report the commission payments made to the buyer's agent.



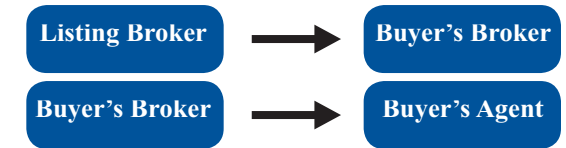
Scenario (2)

Mr. Green is selling his residential property and lists his house with Agent House, a broker/agent with SSS Realtors. Ms. Baker makes an offer to purchase the home using Agent Lewis, an agent with QRS Realty. The offer is accepted and escrow closes.

Here are the 1099-MISC reporting obligations for the commission payments:

- Mr. Green (seller) does not have a reporting obligation since he has not engaged in the course of a trade or business.
- SSS Realtors (listing broker/listing agent) has an obligation to report commission payments made to QRS Realty (buyer's broker).
- QRS Realty (buyer's broker) has an obligation to report commission payments made to Agent Lewis (buyer's agent).
- Ms. Baker (buyer) does not have a reporting obligation.

As illustrated below, the listing broker must report the commission payments made to the buyer's broker. Also, the buyer's broker must report the commission payments made to the buyer's agent.



When are Forms 1099-MISC due?

You must furnish the information returns to the recipient by January 31 and to the IRS and FTB by February 28, following the year of payment. However, the due date for filing electronically with the IRS and FTB is March 31. An extension to file may be submitted to the IRS and FTB by the filing due date. For FTB, use form FTB 6274A, *Request for Extension to File for Information Returns*.

How do I file Form 1099-MISC?

You can file your Forms 1099-MISC using the method and media types below.

- Combined Filing Method
- Electronic Filing
- Magnetic Media
- Paper Filing

Combined Filing

We encourage you to request permission from the IRS to participate in the Combined Federal/State Filing Program for electronic and magnetic media filers. Filing under this program allows you to report directly to the IRS. The IRS will select and forward the state's returns, saving you the cost and effort of having to produce a separate state media file. Do not send a file to FTB if you elected to use the Combined Program.