IRS Form 1099-S Electronic Filing Guide

Impact / SQL

Version 10.0.169.NET

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Introduction to Electronic Filing of 1099-S Forms

This document provides guidance on how to electronically file the IRS 1099-S forms, which are prepared within Impact/SQL, with the Internal Revenue Service. USA Digital Solutions, Inc. updates the export format of 1099-S data as changes are made by the IRS to their specifications.

For specific details from the IRS, consult their publication **1220 Specifications for Filing Forms 1097, 1098, 1099, 3921, 3922, 5498, 8935, and W-2G Electronically**, which is available at the IRS web-site www.irs.gov.

The IRS requires that the transfer agent (escrow company) file the 1099-S information returns on gross proceeds from the sale or exchange of real estate. The information returns are to be filed annually, and the due date for electronic filing of the prior year's returns is March 31. The filing is done through the IRS' FIRE system, as will be described herein.

The individual recipients' copies are to be received no later than January 31 of the year following the transfers…but the workflow envisioned in Impact/SQL is that the 1099-S' are generated and provided to the appropriate party(ies) at the time of closing. There is **NOT** a mechanism within Impact/SQL to mass generate a full year's 1099-S' for mailing out to clients after year end.

The reader is referred to the **1099-S** section of the Impact/SQL **Escrow Manual**, and the **1099-S Reporting** section of the Impact/SQL **Accounting Manual**, for details of the workflows for escrow and accounting personnel regarding 1099-S returns within Impact/SQL.

Typically, during the calendar year:

- The IRS Form 1099-S, if required for a particular transaction, is prepared within Impact/SQL and provided to the customer at the time of closing.
- On a monthly basis, the **Closing Report** is run (in the Escrow module) and every closed file with a status of **Not Reported**, in the **IRS** column, should have its status resolved – with either a 1099-S being prepared for the file or the file's reporting status should be set to **Non-Reportable**, whichever is the proper course of action for the particular transaction. This process is described in full in the **Escrow Manual**, in the **Reports** section. This step should be completed before the next step is taken by the Accounting Department.
- After the prior step is complete, on a monthly basis, the Accounting Department will utilize the **1099-S Reporting** function, in the Accounting module, to review the data that will be reported to the IRS. This process is described in full in the **Accounting Manual**.

Typically, at the beginning of the calendar year:

- A final review of the data that will be submitted to the IRS is made with the **1099-S Reporting** function (like the third monthly step above) in the **Accounting** module. Any required modifications to the data should be made.
- The data is then exported out of the Accounting module (**Misc. >1099 Reporting**) and is then electronically filed with the IRS before the due date.

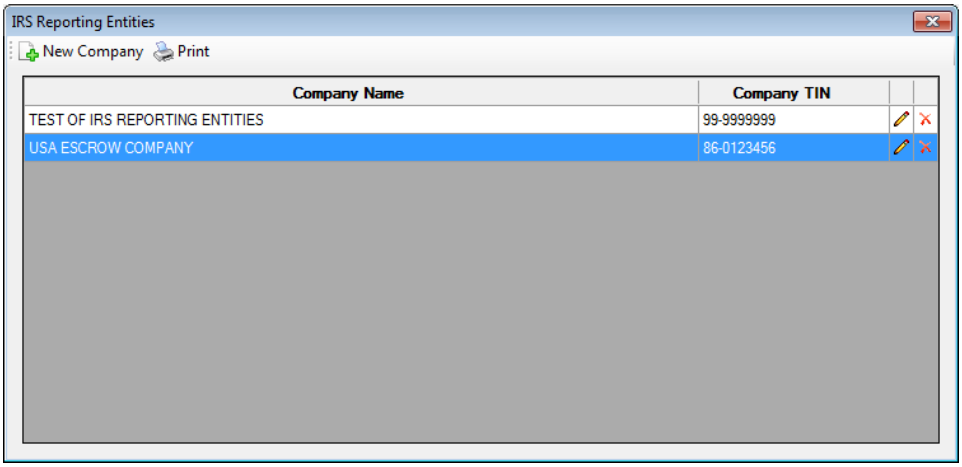
The following discussion will explain the exporting and electronic filing routines.

Verify the Company’s IRS Reporting Entity Information

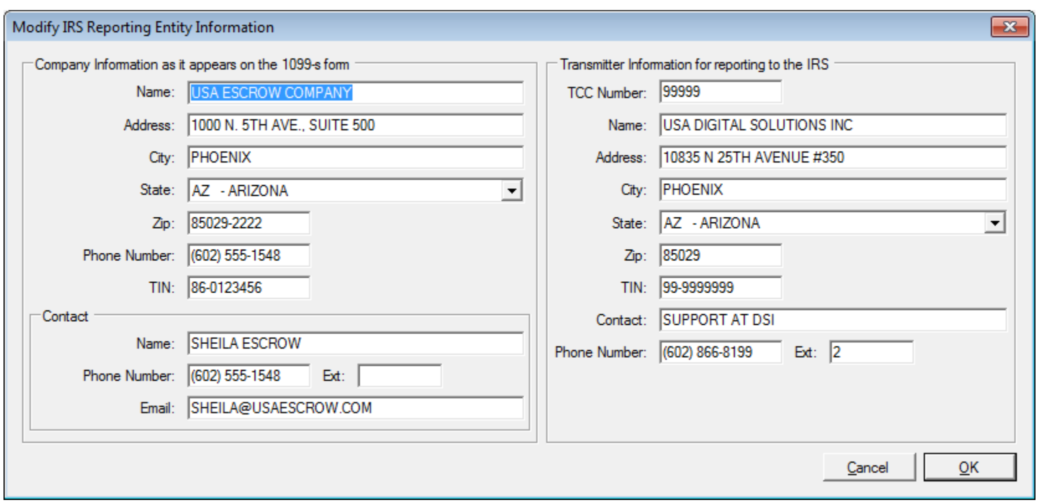
This step must be completed by a user with permission to access the Impact/SQL **Utilities** module.

This step should be taken to double-check that the information entered at setup of the database (or subsequently, if changed) is correct. The information entered in the **IRS Reporting Entities** screen is used in building the dataset that is uploaded to the IRS and it is, therefore, critical that it is correct. There may be more than one IRS Reporting Entity established on a database (if two or more escrow entities are operating out of the same database).

Login to the **Utilities** module and select the **IRS Reporting Entities** entry under the **System Files** menu heading. A screen like that shown here will be presented, with one or more entries listed. Each entry should be reviewed for accuracy.



Highlight the entry to be reviewed and click on the **Modify** icon to the right of the **Company TIN**. The **Modify IRS Reporting Entity Information** screen will be presented, as shown below.



The data on the left side of the screen, under the **Company Information as it appears on the 1099-s form** heading, should be reviewed for accuracy. Every 1099-S issued out of files on branches which have this IRS Reporting Entity assigned to them will have this information on it.

The data on the right side of the screen, under the **Transmitter Information for reporting to the IRS** heading, should reflect the information on the entity that will be doing the actual uploading to the IRS' FIRE system. If this is the escrow company, the information will mirror that on the left of the screen (with the addition of the **TCC Number** at the top of the panel). If a firm other than the escrow company is to be reporting the data to the IRS (such as USA Digital Solutions, Inc.), their information should be entered on the right side of the screen. The information on the prior screen is just dummy data for demonstration purposes.

If the escrow company is to do the electronic reporting, but has not yet filed for a **TCC Number**, they should complete **IRS form 4419 Application for Filing Information Returns Electronically (FIRE)**, available on the IRS web-site www.irs.gov, and submit it to the IRS. This should be done well in advance of the reporting deadline, so there is time for the IRS to issue the **TCC Number**. If another firm is to do the filing (such as USA Digital Solutions, Inc.), there is no need for the escrow company to request a TCC Number.

Once the data complete and accurate, click **OK** to close the **Modify IRS Reporting Entity Information** screen. Click on **Cancel** if changes might have been made but which should not be saved.

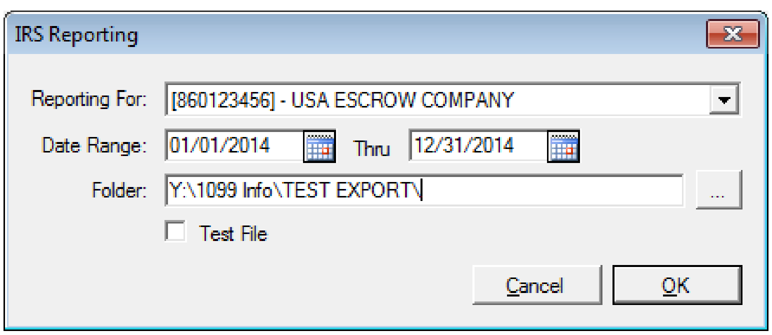
Repeat the review for each IRS Reporting Entity.

Export the 1099-S Data

This step must be completed by a user with permission to access the Impact/SQL **Accounting** module.

Prior to performing the data export, confirm that the previously-discussed routine of reviewing the **Closing Report** (in **Escrow**) and then the review of data via the **1099-S Reports** function (in **Accounting**) has been completed. If the data is wrong at this point, bad data will be uploaded to the IRS, so re-checking is strongly recommended.

Login to the **Accounting** module and select **Misc > 1099-S Reporting > Reporting** to open the **IRS Reporting** screen, shown below.



Confirm that the correct **IRS Reporting Entity** is selected via the dropdown for the **Reporting For** field.

The **Date Range** will default to the prior calendar year. Typically, unless you are re-reporting for an earlier year (unlikely event), no change will need to be made to the date range. If two IRS Reporting Entities were used during one year on a branch, then the date range will need to reflect the period for each (in separate exports) AND the IRS Reporting entity will need to be TEMPORARILY changed on the appropriate branch's setup screen while the reporting is done. After the first export is completed, the entity setting on the branch should be set back to its current entity, and the second date range, under the second entity, would be exported to another file.

The (ellipse) **browse** button, to the right of the **Folder** field, should be clicked on to open up the **Browse for Folder** screen through which you will select the target location for the export file. The folder path can also be typed in manually. The location selected should be noted, so the export file can be located for uploading to the IRS.

If the file being prepared is to be marked as a test file, for the IRS, check the **Test File** checkbox. Test files are uploaded to a similar, but different, IRS site (https://fire.test.irs.gov) than that used for "live" data files.

Once the screen is completed, click on the **OK** button to have the data exported to the target folder. The file will be called **ORIG.#####** (with the #### being the **TCC Number** on the **IRS Reporting Entity** screen for the entity selected). *To see the TCC number extension, the user's computer system must be configured so that extensions are visible.*

When **OK** is clicked, the **Print** dialog box will present, as there will be two reports generated, in addition to the data file being exported. You can **Preview** (and print from the **Report Viewer** screen) or print directly, after confirming that the correct printer has been selected for the reports. The two reports generated are the **IRS Reporting Information Sheet** (shown below) and the **IRS Foreign Person Report by Escrow Number**. There are tabs on the left of the **Report Viewer** screen, if **Preview** was selected, for each of the reports.

IRS Reporting Information Sheet

4/1/2015

Tax Year	Company Name	Total Records	Contact	Contact Phone	EIN/TIN	Total Amount 2	Total Amount 5
2014	USA ESCROW COMPANY	0	SUPPORT AT DSI	(602) 555-1548	860123456	0.00	0.00

The reports and the export file should be kept by the company for at least three years (or longer – consult your Legal Department for the Company's policy).

The **IRS Reporting** screen can be closed by clicking on the **Cancel** button once the reports and data file have been generated.

It is recommended that you rename the export file, from "**ORIG.#####**", to something like "**CompanyName_#####_YYYY**" with ##### being the TCC Number and YYYY being the year of the returns. This will help you keep track of the export files one year to the next. If more than one reporting entity is exported, the file naming will need to reflect that (as the TCC number will be common to both).

Transmitting 1099-S Data to the IRS

Transmitting of 1099-S data to the IRS is done through the IRS' **Filing Information Returns Electronically** (**FIRE**) system, reached at https://fire.irs.gov. The site for sending test files is https://fire.test.irs.gov. The sites behave in similar fashion, with only the **Test File** option available on the test site; and it is not available on the "live" site.

The IRS advises that before connecting to the FIRE system you should:

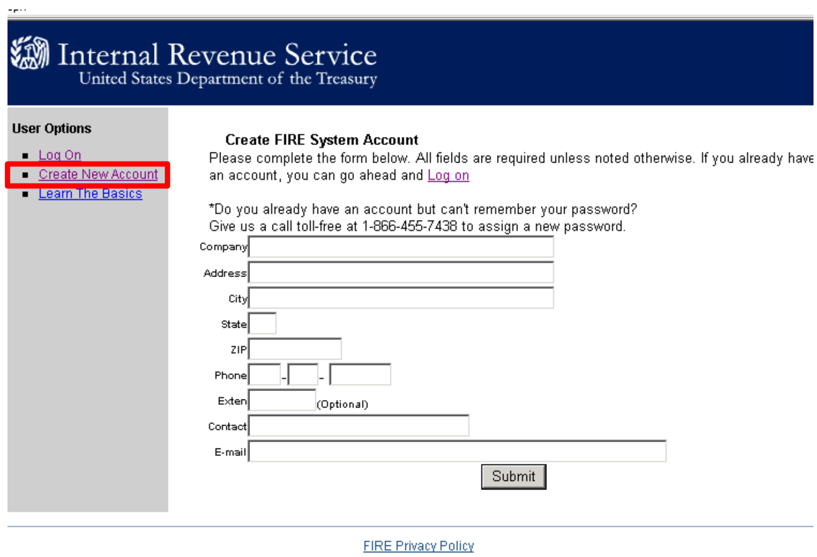
- Have your TCC Number and EIN available
- Turn off pop-up blocking software, if any is installed on your computer
- Verify that your web browser supports SSL 128-bit encryption
- Enable JavaScript of Jscript, depending on the browser used
- Make certain that your browser is set to accept "cookies"

First Time Connection to the FIRE System

If you previously logged into the FIRE system and have an account established, skip this section of the guide and go to the Subsequent Connections to the FIRE System section of this document.

The following section describes the first connection made by the user to the FIRE system. This step is used to create a **FIRE System Account**, **Password** and **PIN**. Once these have been established, they can be used for subsequent next years' reporting.

Open your Internet browser and enter the https://fire.irs.gov URL. Click on the **Create New Account** link, on the left side of the screen, and the **Create FIRE System Account** screen (below) will present.

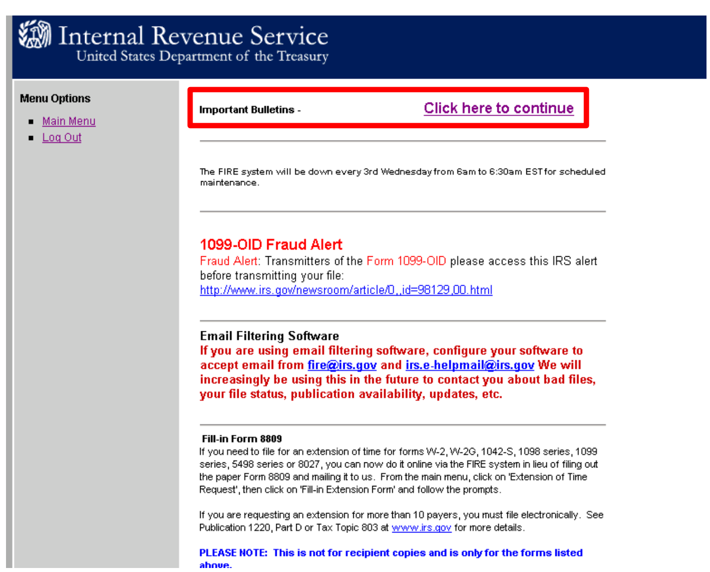


Enter your **Company Name** and complete the balance of the form, then click on the **Submit** button.

You will be prompted to enter a self-determined **User ID**, and then a **Password** (follow the guidance on the screen for password rules) and then click on the **Create** button to establish the **Account**. A confirmation message, **Account Created**, will be presented if successful.

Once the **Account** has been created, you will be prompted to self-determine a **PIN** number and then click on the **Submit** button to establish the **PIN**. A confirmation message, **Your PIN has been successfully created**, will be presented if successful.

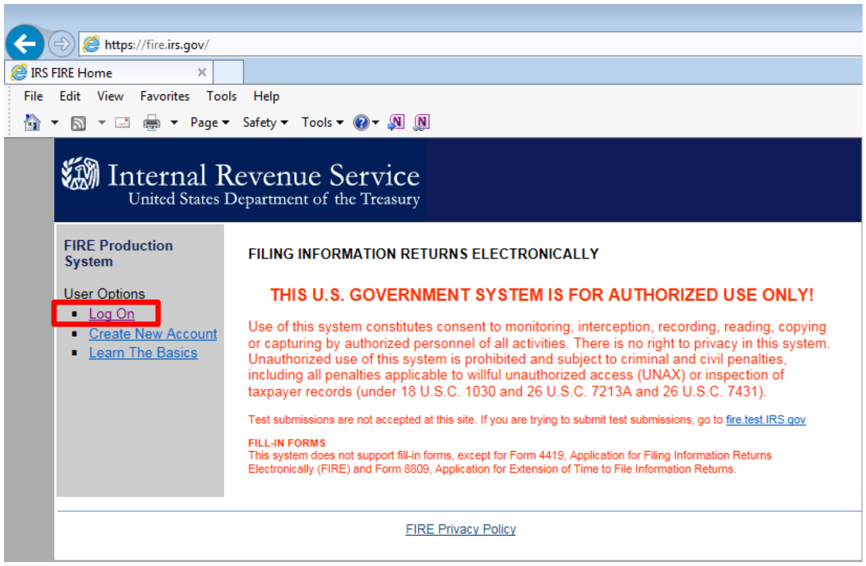
Clicking **OK** at that message will result in the **Important Bulletins** screen being presented (sample shown on the right). It should be reviewed carefully for new information, then the **Click Here to continue link**, at the top of the screen, should be clicked to move forward with the data file transmission routine.



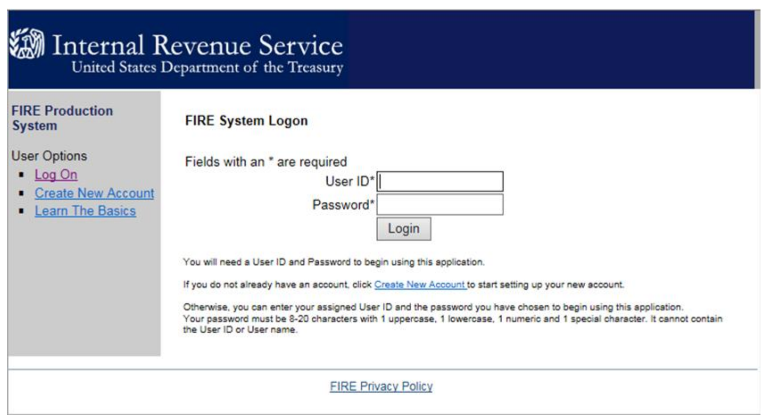
Skip to the Uploading Your File to the FIRE System section below.

Subsequent Connections to the FIRE System

If you have already created an Account for the FIRE system, and are returning to it to upload a file, open your Internet browser and enter the https://fire.irs.gov URL. Click on the **Log On** link, on the left side of the screen.

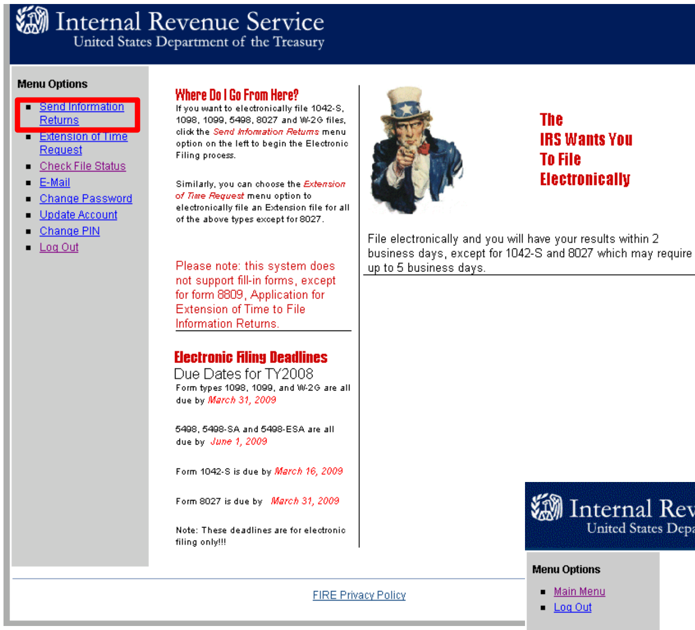


The **FIRE System Logon** screen will be presented. Enter your **User ID** and **Password** and click on the **Logon** button to proceed.

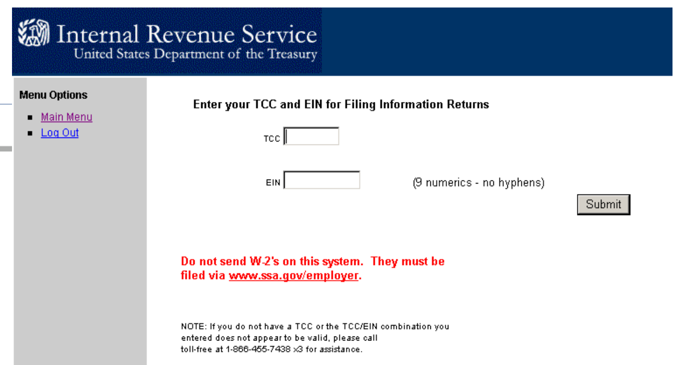


Uploading Your File to the FIRE System

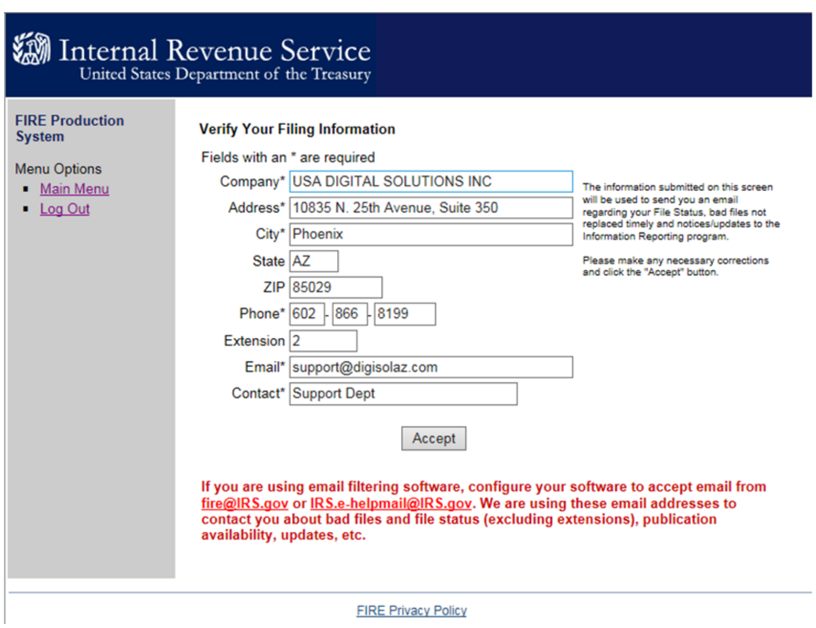
Once you have logged onto the FIRE system, you will be presented with the **Main Menu** screen, on which you should click on the **Send Information Returns** link on the left side of the screen.



You will then be asked to enter your **TCC** number and the Company's **EIN**. Do so and then click on the **Submit** button.

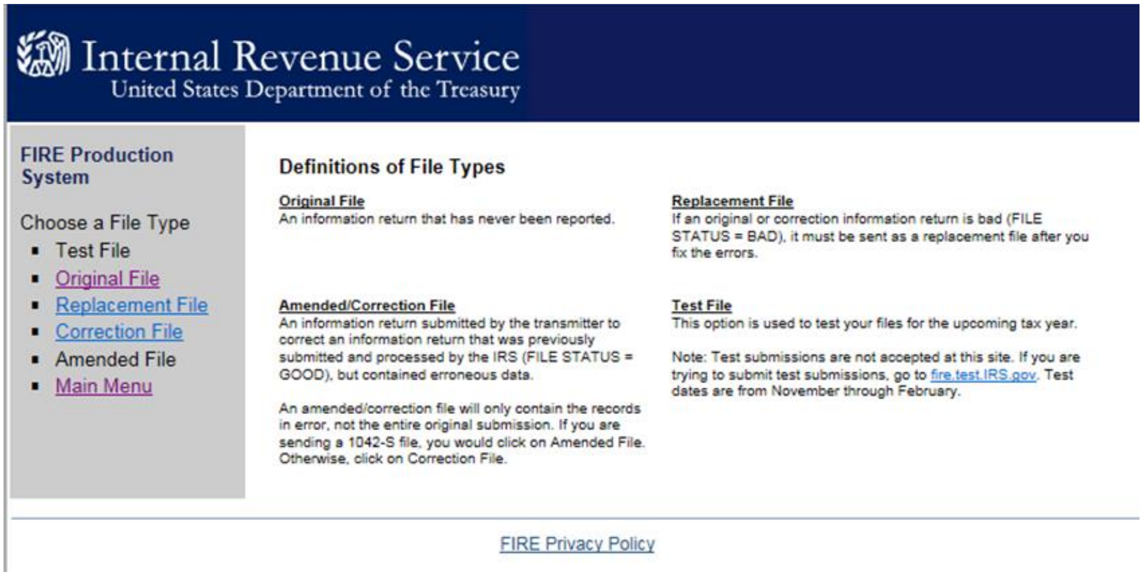


You will then be presented with the **Verify Your Filing Information** screen, on which you should confirm your **Account** information, especially the email address associated with the Account. Click on the **Accept** button after updating any information that has changed.



The next screen presented asks what type of file is being submitted. The assorted file types are defined on this screen. Read the definitions carefully.

Note, in the screen shot below, that **Test File** is not an active link – as this is the "live" file reporting system. Use the URL https://fire.test.irs.gov to get to a similar system, which has only the **Test File** link active, if you are send up a test file.

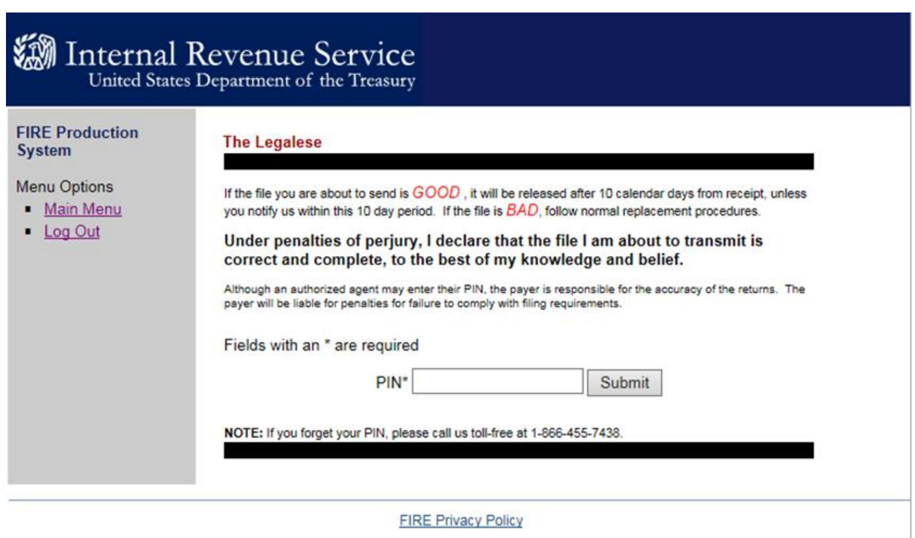


Click on the **Original File** link to upload the full data file for the first time.

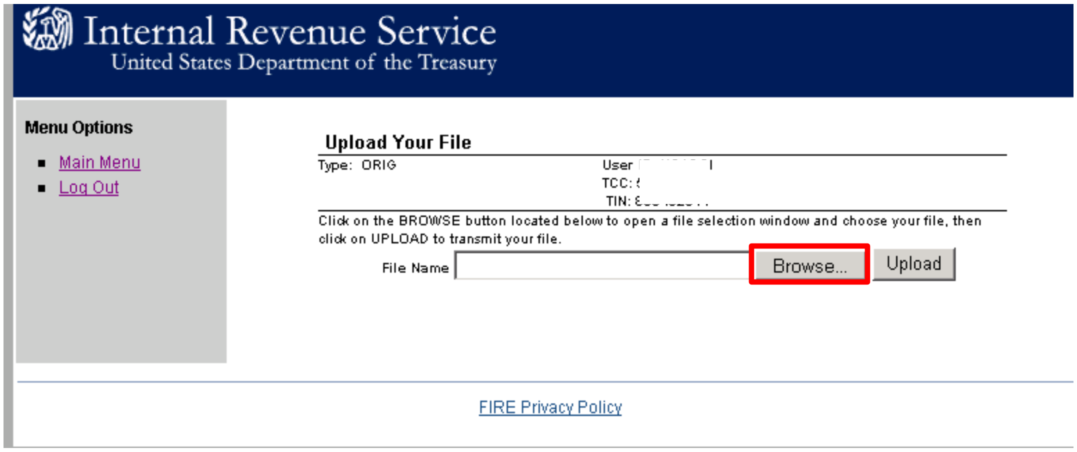
Click on the **Replacement File** link if you are uploading a full data file after correcting an export file that was previously uploaded but which was rejected by the IRS – an email notice will have been received, after clicking the **Check File Status** link, identifying the **FILE STATUS = BAD**.

A **Correction File** will only contain updated returns from an accepted file (FILE STATUS = GOOD). This type of file would have been manually scrubbed from a full data file – Impact/SQL will not prepare an export of just altered records.

The next screen presented asks for your **PIN** number associated with the account. Enter the **PIN** and click on the **Submit** button.



The FIRE System will then present the **Upload Your File** screen through which you will identify the file to be uploaded, as shown below.



Click on the **Browse** button to open a file locator screen and drive to the location on your system that contains the file you wish to upload (the file generated out of Impact/SQL Accounting, named (initially) ORIG.#####). Select that file and make sure that it is properly identified in the **File Name** field.

Then click on the **Upload** button to send the file to the IRS. When the upload is complete, the screen will display the total bytes received and indicate the name of the file created on the IRS system from the file you just uploaded. Save the IRS-generated **Confirmation Number** presented.

If you have more than one file to upload under the same TCC number, click on the **File Another?** button, presented on the confirmation screen, and repeat the file selection and upload routine.

If finished, click on the **Main Menu** link, on the left side of the screen, to return to the main screen, or click on the **Log Out** link to exit the system.

NOTE: It is your responsibility to verify the acceptability of the file(s) submitted. Be sure to log back into the FIRE system one or two business days after uploading your file(s) and select the **Check File Status** option on the Main Menu screen.

If your correct email address was provided on the Verify Your Filing Information screen, when the file was being sent up, an email will be sent to you regarding your **File Status**. If the email indicates the result of the upload was "**Good, not Released**", and you agree with the **Count of Payees** provided in the email, then you are finished with the process. The **Count of Payees** should match the count shown on the **IRS Reporting Information Sheet** generated when the file was exported from Impact/SQL Accounting.

Submitting a Replacement File to the IRS

If, on checking the file status, it is determined that the file(s) was not accepted (FILE STATUS=BAD), then the reason for that rejection must be determined. USA Digital Solutions, Inc. Support can help you determine why the file was rejected. Call 602-866-8199 x 2 or email Support@Digisolaz.com.

Once the problem is understood, and has been corrected, a new file should be uploaded to the IRS as a **Replacement File**. Follow the process above in the Uploading Your File to the FIRE System section.

The confirmation of the replacement file's status is just as important as with the original upload.

Recordkeeping of 1099-S Data

The reports and the export file(s) should be kept by the company for at least three years (or longer – consult your Legal Department for the Company's policy). There are certain situations when longer holding periods are mandated by the IRS (backup withholding and debt cancellation, for example). Please consult the IRS' documentation for their current regulations.

USA DIGITAL SOLUTIONS INC.

support@digisolaz.com

(602) 866-8199 x 2