

1099 REPORTING FOR REAL ESTATE BROKERS AND ESCROW OFFICERS

PURPOSE OF BULLETIN To advise staff how to respond to inquiries regarding information reporting requirements for real estate brokers and escrow officers.

BACKGROUND Internal Revenue Code Sections 6041 and 6041A require that any person in a trade or business that pays equal to or greater than \$600 for services in the course of their trade or business must file an information return (Form 1099-MISC).

REAL ESTATE BROKERS A real estate broker who pays \$600 or more for services in the course of their trade or business must file an information return (Form 1099-MISC). Services requiring a real estate broker to file an information return include:

- A real estate listing broker paying the sales agent \$600 or more for services
- A real estate listing broker paying the buyer's broker \$600 or more for services.

This generally occurs under a written agreement between the buyer and seller of real estate. In both situations, the real estate listing broker must file an information return.

ESCROW OFFICERS Escrow officers normally do not have a reporting requirement under IRC Section 6041A. They do have to file an information return if they operate outside of their normal escrow functions and they pay \$600 or more for services, exercise management or oversight functions, and receive a financial benefit or have a financial interest in the transaction.

GENERAL PROCEDURES Staff should direct such inquiries to the FTB Information Reporting Hotline at (916) 845-6304. Customers can also get detailed information from our 1099 Information Reporting Website by going to www.ftb.ca.gov/forms/misc/4227.html.
