Closing Agents: Here's How to Report and File Revised IRS Form 1099-S For a 1031 Exchange

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Information Return Reporting Requirements

Settlement agents know that the sale or exchange of real property triggers an information return reporting requirement. This information return is IRS Form 1099-S. Questions often arise when taxpayers are completing a 1031 like-kind exchange as part of the real estate transaction. Does the tax-deferred exchange alter the reporting requirement for the escrow agent, title insurance closer, settlement agent, or closing attorney? What party should be listed as the transferor (seller) on the 1099s? Whose taxpayer identification number should be used? What goes in revised boxes 2a, 2b and 2c? And, what about the newly created questions in boxes 8a through 8d?

The quick answer is that the reporting requirement for IRS Form 1099-S is not eliminated because a 1031 tax deferred exchange is included in the disposition of the real property. The sale or exchange of any real estate is still a reportable transaction, even when a qualified intermediary (QI), often referred to as an accommodator or facilitator, holds the net proceeds from the sale of the relinquished property as part of a tax-deferred exchange.

The 1031 Exchange Doesn't Eliminate 1099-S Reporting Requirements

A tax-deferred exchange only defers the exchangor's capital gain and depreciation recapture taxes. The exchange does not exclude the transaction from information reporting requirements. As the responsible reporting party for the sale of the relinquished property, the escrow officer, settlement agent, closing attorney or other closing professional is typically still required to complete and file IRS Form 1099-S.

The taxpayer (seller) is required to report the 1031 exchange to the IRS on its Form 8824 with the filing of their federal income tax return. IRS Form 1099-S informs the Internal Revenue Service (IRS) about the sale or exchange of the real property and Form 8824 notifies the IRS that the sale was structured as a like-kind exchange and the capital gain and depreciation recapture taxes have been deferred.

Who Is the Correct Transferor (Seller)?

One of the most common errors in a tax-deferred exchange closing is listing the qualified intermediary as the transferor (seller) on IRS Form 1099-S. The qualified intermediary is only the facilitator pursuant to the provisions in Treas. Reg. 1.1031(k)-1 and is not the actual seller or transferor of the relinquished property for filing and reporting purposes.

Exchangor is the Real Transferor

The transferor (seller) listed on Form 1099-S must always be the exchangor, meaning the taxpayer who actually owned, held, and is selling the relinquished property. This has always been true even though the qualified intermediary is the third-party administrator that actually receives and holds the net proceeds from the sale of the relinquished property in a qualified trust account during the like-kind exchange period. The role of the QI is to prepare the exchange documents, coordinate with the exchangor's advisors and closing agent, and receive and protect the 1031 exchange funds. The QI is not substituted into the exchangor's shoes for 1099-S information return reporting and filing purposes.

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Exchangor's Taxpayer Identification Number

IRS Form 1099s should be prepared using the exchanger's (taxpayer's) name, address, and taxpayer identification number (TIN). Depending upon the type of taxpayer (i.e., an individual, limited liability company, partnership, corporation, or trust), the TIN can be the taxpayer's social security number (SSN), employer identification number (EIN) or individual taxpayer identification number (ITIN). Closing agents should collect the TIN information at or before closing to avoid problems and/or penalties.

Completing the Boxes on IRS Form 1099-S

While closing agents should always confirm the most up-to-date reporting requirements through the IRS instructions for completing Form 1099-S, here are some general comments on how to complete the boxes most relevant to tax-deferred exchange transactions, including the revisions made to the form in December 2026:

- **Filer's Name, Address and Telephone Number**: Enter the name, address, and telephone number of the escrow agent, title insurance company, settlement agent or closing attorney that is responsible for filing IRS Form 1099-S. The name and address must be the same as the filer information reported on IRS Form 1096 (Annual Summary and Transmittal of U.S. Information Returns).

- **Transferor's Name**: Enter the name and address of the exchangor or other transferor of the real property. If the spouses are joint sellers, the closing agent only needs to report under one name and the TIN for that person on the form, unless the reporting agent receives, at or prior to the time of closing, an uncontested allocation of gross sale price between the spouses. Keep an eye out for entities that are disregarded for federal tax purposes such as single member limited liability companies, fully revocable grantor trusts (living trusts), and multiple co-owners.

- **Account (File) Number**: The escrow, closing or file number is required if you have multiple accounts for a recipient for whom you are filing more than one IRS Form 1099s. The IRS encourages reporting parties to list an escrow, closing or file number for all 1099-S forms that you file.

- **Box 1 (Date of Closing)**: Enter the closing date. On a closing disclosure or CD, the closing date is the closing disclosure date. If a closing disclosure 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 2a, 2b and 2c (Total Gross Proceeds)**: Enter the total gross sale price for the real estate transaction in box 2b, generally the sales price of the property sold. Box 2c is going to be left blank in most cases unless digital assets are involved in the sale of the real estate. The sum of box b and box c should be entered in box 2a.

- **Box 3 (Property Address)**: List the common street address, including city, state and zip code for the relinquished property that was sold by the exchangor. If the address does not sufficiently identify the relinquished property, a legal description should also be provided.

- **Box 4 (Buyer's Part of Real Estate Tax)**: For a real property sale transaction involving a residence, enter the real estate tax paid in advance that is allocable to the buyer. You do not have to report any real property tax amount allocable to the buyer for real estate taxes paid in arrears.

- **Box 5**: This box has been reserved for future use.

- **Box 6**: Check this box if the transferor received, or will receive, property or services (such as replacement property) as part of the consideration.

- **Box 7**: Check this box if the transferor is a foreign person (such as a nonresident alien, foreign partnership, foreign estate, or foreign trust).

- **Box 8a, 8b, 8c and 8d**: These boxes apply if digital assets are received, or to be received, as consideration.

Reporting Year

Report the transaction in the year in which the relinquished property sale closed, even if the purchase of the replacement property is completed in the following tax year. This is important. IRS Form 1099-S should be filed in the year that the relinquished property actually closed and not the year in which the exchange was completed.

Record Retention

Good document retention protects the escrow agent, title insurance company, settlement agent, closing attorney, and the client should the IRS or any state taxing authority examine the sale transaction for proper reporting. Documents to be retained include, but are not limited to:

- The assignment of the purchase and sale agreement to the qualified intermediary or the assignment notice that has been signed by the seller, buyer and closing agent

- Written closing agent instructions from the qualified intermediary

- The final settlement statement listing the QI as the qualified intermediary for the exchangor (taxpayer) and showing the net proceeds were wired to the qualified intermediary

- Records of any boot received by the exchangor at the time of closing

Keep these consistent with the HUD-1 or ALTA final settlement statement for the sale transaction.

Multiple Sellers, Multiple Forms

If more than one transferor is involved in the sale, prepare a separate IRS Form 1099-S for each exchangor (taxpayer), allocating the gross sale price accordingly based upon each exchangors' ownership interest.

Common Mistakes in Completing and Filing IRS 1099-S

Closing agents, escrow companies, title insurance companies, settlement agents and closing attorneys that administer closings which include like kind exchanges regularly tend to run into the same handful of mistakes when preparing and reporting IRS Form 1099-S. Reviewing the form before the closing can avoid costly corrections for amended filings later.

- **Listing the qualified intermediary as transferor**. The QI is the facilitator of the tax-deferred exchange and not the seller (taxpayer) under Treas. Reg. 1.1031(k)-1. Report the exchanger's name, address and taxpayer identification number as the transferor.

- **Skipping the 1099-S because it's a 1031 Exchange**. A 1031 exchange is still a reportable sale. Closing or settlement agents must file IRS Form 1099-S unless a specific statutory exemption applies.

- **Reporting only boot or net proceeds**. The gross sale price and not the net proceeds or uninvested boot are reported in Box 2a and 2b. Report the full gross sale price regardless of the tax-deferred exchange. The gross sale price should not be reduced for any closing expenses.

- **Incorrect or missing closing date**. This creates a mismatch between the final settlement statement, title records and the IRS. Confirm the actual closing date for Box 1.

- **Missing or incorrect TIN**. This will generally trigger IRS notices and backup withholding issues for the exchanger, and potential incorrect filing or reporting penalties for the closing agent, settlement company or closing attorney. Obtain a written TIN certification (e.g., IRS Form W-9) at or before closing.

- **Mis-allocating proceeds among co-owners**. Each seller or transferor needs accurate, separately allocated reporting of their portion of the gross sale price. Confirm legal vesting and ownership percentages before preparing IRS Form 1099-S to ensure accurate reporting.

Why the Qualified Intermediary's Role Matters to Closers

Because the QI sits at the center of the exchange, the accuracy of the closer's IRS Form 1099-S often depends on timely, well-documented coordination with that intermediary. A qualified intermediary's core responsibilities include preparing the exchange agreements, coordinating with the closing or settlement agent, working with the exchanger and their legal, tax, and financial advisors to keep the exchange compliant, and arguable one of the most important is receiving, holding, and safeguarding the exchange funds throughout the transaction.

Exeter 1031 Exchange Services, LLC (Exeter1031™), for example, deposits, holds, and safeguards exchange funds in separate, segregated, dual-signature, restricted qualified trust accounts through Exeter Trust Company (ExeterTrust™). ExeterTrust™ is licensed, regulated, and audited by the Wyoming Division of Banking. Working with a best practices qualified intermediary that maintains clear documentation, responsive communication and has some form of regulatory oversight makes it easier for closing teams to confirm vesting details, obtain TIN certifications, and verify wire instructions before the IRS Form 1099-S is prepared.

Closing professionals who want a deeper reference on exchange mechanics can contact Exeter1031™ and request a free copy of A Guide to 1031 Exchanges or A Quick Reference Guide to 1031 Exchanges.

Confirm Before You File

IRS Form 1099-S instructions are frequently updated by the IRS, and specific scenarios can get complicated. Always confirm the most up-to-date information return requirements with the latest IRS Instructions for Form 1099-S and encourage your clients to consult their own tax advisor regarding their like-kind exchange.

Frequently Asked Questions (FAQs)

Does a 1031 exchange exempt the relinquished property sale from Form 1099-S reporting?

No, it does not. The escrow agent, settlement agent, or closing attorney must file IRS Form 1099-S for the sale of any real property; the exchange itself is reported by the taxpayer on IRS Form 8824.

Who should be listed as the transferor on the 1099-S? The exchanger or the Qualified Intermediary?

The exchanger (your client/taxpayer) is the transferor (seller). Use the exchangor's name, address, and TIN as the transferor. The qualified intermediary should never be listed as the transferor.

What should be reported in Box 2b (Gross Sale Price) when a QI is holding exchange funds?

The gross sale price of the relinquished property is reported in box 2b and then aggregated into box 2a. The gross sale price is not reduced by any of the closing costs or settlement expenses.

Which tax year should the sale be reported in if the exchange isn't finished yet?

Report the sale in the year the relinquished property sales closes, even if the replacement property purchase in the like-kind exchange is completed in the following year.

What documentation should we keep on file for an exchange-related closing?

Retain the exchange assignment of the purchase and sale agreement, qualified intermediary instructions to the closing or settlement agent or closing attorney, the final settlement statement listing the QI as the qualified intermediary for the taxpayer and showing the amount of net proceeds wired to the QI, and records of any boot paid to the taxpayer.

This article is provided for general informational purposes only and does not constitute tax or legal advice. Always confirm requirements against the current IRS Instructions for Form 1099-S and consult the taxpayer's tax advisor.