

Section 7.13

INTERNAL REVENUE SERVICE REPORTING REQUIREMENTS

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Section 7.13

INTERNAL REVENUE SERVICE REPORTING REQUIREMENTS

PURPOSE

The purpose of this section is to explain Internal Revenue Service reporting requirements for right of way acquisitions.

AUTHORITY

26, Code of Federal Regulations, Section 1.6045
Section 20.23(3)(a), Florida Statutes
Section 334.048(3), Florida Statutes

SCOPE

This section will be used by District and Central Offices of Right of Way and District Offices of the General Counsel.

REFERENCES

26, Code of Federal Regulations, Section 1.6045 4(d)(3)
Right of Way Management System User's Manual
Section 7.5, Legal Documents and Land Acquisition Closing
Section 7701(a)(18) of the Internal Revenue Code

TRAINING

None required.

FORMS

Department of the Treasury, Internal Revenue Service **Form 1099-S** generated by the Districts using the ***Right of Way Management System (RWMS)***.

The following form is available on the DOT Infonet and the Internet:

<http://infonet.dot.state.fl.us/tlofp/forms.asp>
<http://www.dot.state.fl.us/rightofway/document.htm>

575-030-27, Request for Taxpayer Identification Number

DEFINITIONS

The following definitions are to be used only in the context of the ***Internal Revenue Service (IRS)*** reporting requirements in this section.

Date of Closing: The date of closing set forth on ***Form No. 575-030-16, Closing Statement***, for a negotiated purchase, the date of entry of a Final Judgment by the court for parcels acquired by order of taking, or the date of deposit for parcels acquired through stipulated order of taking/final judgments.

De Minimis Acquisition: An acquisition for which the total consideration, including money and/or property, to be paid is less than \$600 in value, exclusive of fees and costs. The \$600 limitation applies to the total consideration for the parcel, not separately to each grantor/property interest holder.

Excluded Acquisitions: Excluded acquisitions include de minimis acquisitions and acquisitions from exempt transferors.

Exempt Transferor (Grantor): Exempt transferors include corporations, federal, state or local governmental entities, foreign governments or political subdivisions thereof, international organizations as defined in ***Section 7701 (a)(18), Internal Revenue Code***, and exempt volume transferors.

Exempt Volume Transferor: An exempt volume transferor is a person or entity who has provided the Florida Department of Transportation (Department) a ***Certification of Exempt Status*** as required by ***26, Code of Federal Regulations, Section 1.6045-4(d)(3)***.

Gross Proceeds: Cash received by a fee owner/parcel interest holder for his/her ownership interest in land, improvements and real estate damages. In cases of multiple ownerships, the gross proceeds may be a proportionate part of the total consideration for the transaction.

Ownership Interest: Fee simple interests, life estates, reversions, easements and leaseholds. Leasehold interests or easements must have a remaining term of at least 30 years at the time of conveyance in order to be considered an ownership interest.

7.13.1 IRS Reporting Requirement

The Department is required to report all non-excluded real property acquisitions to the **IRS** annually. The annual report will be generated using the **Right of Way Management System (RWMS)**. Districts are responsible to obtain, verify and accurately enter taxpayer information into **RWMS**. Comprehensive information gathering and accurate entry of data into **RWMS** is essential as explained in the **RWMS User's Manual**. **IRS** will impose a penalty against the Department for each improperly reported grantor/parcel interest holder.

7.13.2 Obtaining and Verifying Taxpayer Information

7.13.2.1 The Department shall request taxpayer information from each grantor/parcel interest holder of an ownership interest for all non-excluded acquisitions. **Form No. 575-030-27, Request for Taxpayer Identification Number**, shall be used to request taxpayer information. The request shall be delivered at or before the initiation of negotiations. Documentation that taxpayer information has been requested and received shall be maintained in the official parcel file.

7.13.2.2 For non-excluded parcels acquired through eminent domain, prior to entry of a final judgment for land, improvements, or damages, the Department's attorney shall determine if all fee owners/parcel interest holders for the parcel being acquired have previously provided taxpayer information. If taxpayer information has not been received, the Department's attorney shall ensure that **Form No. 575-030-27, Request for Taxpayer Identification Number**, is delivered to all non-exempt owners of the parcel or to their attorney. Documentation that taxpayer information has been requested and received shall be maintained in the official parcel file.

7.13.2.3 Individuals who were husband and wife at the time of closing are to be treated as a single owner. **Form No. 575-030-27, Request for Taxpayer Identification Number**, may be provided to either husband or wife. When acquiring non-excluded tenant-owned realty, **Request for Taxpayer Identification Number**, must be provided to the tenant and to the fee owner(s) of the land.

7.13.2.4 Upon receipt of taxpayer information, the District shall review the information received and identify obvious omissions, errors or inconsistencies such as missing or incomplete Taxpayer Identification Number (TIN), illegible information, improper allocations, etc. Obvious problems should be reviewed with the fee owner/parcel interest holder and corrected to the extent possible.

7.13.3 Entering Taxpayer Information Into RWMS

7.13.3.1 The information provided by fee owners/parcel interest holders must be relied on when entering data into **RWMS**. For example, if the names of parcel interest holders as established by Surveying and Mapping are inconsistent with the names reported on **Form No. 575-030-27, Request for Taxpayer Identification Number**, the names as reported by the parcel interest holder must be entered into **RWMS**.

7.13.4 Allocating Gross Proceeds

7.13.4.1 Each owner/parcel interest holder of an ownership interest being conveyed is required to indicate the percentage of ownership that he/she holds in the ownership interest. For multiple owners/parcels interest holders, the District shall allocate gross proceeds based on the reported percentages as follows:

- (A)** If non-conflicting responses are received from all fee owners/parcel interest holders and the sum of the reported percentages equal 100%, gross proceeds shall be allocated in accordance with the responses received.
- (B)** If non-conflicting responses are received from some but not all fee owners/parcel interest holders and the sum of the reported percentages equal 100%, gross proceeds shall be allocated in accordance with the responses received.
- (C)** If no allocation is provided, there are conflicting responses, or the sum of the reported percentages do not equal 100%, the entire consideration for land, improvements and severance shall be reported as gross proceeds for each fee owner/parcel interest holder.

7.13.5 Reporting a Non-Monetary Benefit

7.13.5.1 For those parcels affected by a non-monetary benefit determined by the court, or identified and quantified in a settlement, the Department's duty to report the benefit is limited to indicating that property or services were received by the fee owner/parcel interest holder. **RWMS** will place an "X" in the "Property or Services Received" field on **Form 1099-S**. There is no requirement to quantify the non-monetary benefit and there is no provision to do so in **RWMS** or on **Form 1099-S**.

7.13.5.2 If the non-monetary benefit is not determined until a fee and cost hearing occurs subsequent to the Final Judgment for which the District has previously filed a **Form 1099-S**

report, the District must amend/correct its information and provide a new **Form 1099-S** to the parcel interest holder in accordance with **Section 7.13.10**, as soon as possible.

7.13.6 Reporting an Exchange

For parcels acquired via a like kind exchange (no cash in the transaction), the gross proceeds will be zero (0). **RWMS** will place an "X" in the "Property or Services Received" field of **Form 1099-S**. If the acquisition involves a combination of cash and exchanged property, enter the cash payment amount as gross proceeds; **RWMS** will place an "X" in the "Property or Services Received" field.

7.13.7 Distribution of Form 1099-S

7.13.7.1 For parcels acquired through negotiated settlements, a copy of the completed **Form 1099-S** shall be presented to the transferor pursuant to **Section 7.5, Legal Documents and Land Acquisition Closing**.

7.13.7.2 For parcels acquired by Final Judgment, a copy of the completed **Form 1099-S** shall be mailed to the transferor once the deposit has been made into the court registry or upon entry of the Final Judgment if no additional deposit is required.

7.13.7.3 Regardless of the method of acquisition, all transferors must receive copies of **Form 1099-S** for their parcel no later than December 31 of the calendar year in which the closing or Final Judgment occurred.

7.13.8 Reporting IRS Information to the IRS

All non-exempt real estate acquisitions shall be reported to the **IRS** electronically regardless of whether taxpayer information is obtained. All taxpayer information must be entered in the **RWMS** no later than January 15 annually (see **Right of Way Management User's Manual** for guidance). Prior to submitting final data to the **IRS**, Central Office of Right of Way will provide an exception report to the Districts for review and final adjustments of data as necessary. Once adjustments are made in **RWMS**, Central Office of Right of Way will compile the statewide information and electronically transmit the information to the **IRS** in March of each year.

7.13.9 Data Changes

Information entered into the **RWMS** may be changed or modified as necessary prior to submittal to the **IRS**. If a change is made, a new **Form 1099-S** reflecting the current information must be delivered to the property owner.

7.13.10 Corrected Returns

Changes or additions made to the **1099-S** data, after Central Office of Right of Way has compiled and submitted the statewide information to the **IRS**, must be entered into the **RWMS** and identified as a "Corrected 1099." Each parcel interest holder affected by a corrected 1099 must be provided a new **Form 1099-S** indicating the current information. In May of each year, Central Office of Right of Way will compile and electronically submit a statewide report of corrected **1099-S** forms based on the information in **RWMS**. Returns may only be corrected for the calendar year being reported.

7.13.11 Mobile Homes

7.13.11.1 Mobile homes are generally considered to be personal property. Purchase of a mobile home as personal property would not be a reportable real estate transaction. However, where a mobile home is purchased as an improvement to real property, the purchase price of the mobile home should be included with the purchase price of the land when reporting gross proceeds on **Form 1099-S**. The county tax rolls can be used as a guide to determine whether the mobile home is personal property or real property.

7.13.12 Exempt Volume Transferors

Exempt volume transferors must provide the Department with a **Certification of Exempt Status** as required by **26, Code of Federal Regulations, Section 1.6045-4(d)(3)**, to validate their exempt status. Once the Department receives a **Certification of Exempt Status**, the transaction will be handled as an excluded transaction. The Certification must be maintained in the official parcel file.

HISTORY

04/15/99, 02/26/04, 09/03/04 revised to clarify District's responsibility for **IRS 1099-S** data,
05/11/06, 09/27/07