Filing Electronically With the IRS FIRE System and Pro1099

SoftPro Select | Tax Year 2020 | September 17, 2020

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Pro1099

Pro1099 automates the preparation of 1099-S forms for submission to the IRS and eliminates the need for pre-printed carbon 1099-S forms. Pro1099 stores 1099-S data throughout the year. Users can enter the 1099-S data directly into the program or, if you have ProForm, it automatically exports orders into Pro1099.

Pro1099 generates a substitute 1099-S form to give to the seller and keeps track of whether you have furnished the 1099-S information to the seller. To prevent the possibility of the submission being returned for incomplete or inaccurate data, Pro1099 includes an exceptions report. This report, which is run before submitting data to the IRS, lists any problematic records so that users can correct any errors or oversights.

Major Features

- Manages unlimited number of 1099-S records
- Produces IRS Tax file for submitting 1099-S data to the IRS via the FIRE Website
- Eliminates the need for carbon 1099-S forms
- Generates substitute 1099-S forms to give to sellers
- Produces exception reports for erroneous and missing information
- Integrates with ProForm for one-time data entry

About The IRS FIRE System

The FIRE System is a website (https://fire.irs.gov) maintained by the Internal Revenue Service (IRS) that you can use to electronically file your IRSTAX file directly with the IRS.

IRS Resources

The IRS maintains documentation for their FIRE system. SoftPro advises that you reference their procedures directly for the most accurate information. Although the SoftPro Solution Center is ready to assist you with questions regarding any aspect of using Pro1099, including creating your IRSTAX files, you need to address your technical questions about using the FIRE System to the Internal Revenue Service, Enterprise Computing Center - Martinsburg (IRS/ECC-MTB). IRS technical assistance is available Mon – Fri, 8:30 A.M. - 4:30 P.M. EST, (866) 455-7438. You may request publications related to the 1099-S filing by calling the IRS at (800) TAX-FORM or (800) 829-3676. Additionally, you may visit the IRS forms and publications page to download various documents.

Publication 3609

This publication, previously produced by the IRS and available here, provides a walkthrough of the following processes in detail:

- Submitting test files
- Submitting extension of time requests (described in detail here)
- File status e-mail notifications
- First time connections to the FIRE system
- Subsequent connections to the FIRE system
- Uploading files to the FIRE system, including original, replacement, and correction files
- Checking file status

Publication 1220

This document, found on the IRS website here, outlines the specifications for electronically filing a variety of forms. Some of the most important sections of this document are:

1. **What's New for Tax Year 2020** - Page 12, Sec. 3
2. **Communicating With The IRS** - Page 12, Sec. 4
3. **Additional Resources** - Page 13, Sec. 5
    - **Form 4419:** Apply online at https://fire.irs.gov/ . Select Log On or Create New Account. From the Main Menu Options, select Fill-in Form 4419.

As of October 1, 2019, Form 4419 is mandated to be electronically filed when requesting an original TCC. Submit an online Fill-in Form 4419 located within the FIRE System at https://fire.irs.gov/. Refer to Part B. Sec. 02. Mandate to Electronically File Form 4419. Form 4419 (Rev 9-2019) will be available on irs.gov.

4. **Filing Requirements, Retention Requirements, and Due Dates** - Page 15-16, Sec. 6
5. **Extensions** - Page 16, Sec. 8
6. **Corrected Returns** - Page 18-22, Sec. 11
7. **Application for Filing Information Returns Electronically & User ID, Password and PIN Requirements** - Page 31-34, Sec. 1-3
8. **Connecting to FIRE** - Page 34-37, Sec. 4
9. **Electronic Specifications** - Page 37, Sec. 5
10. **Electronic Submissions** - Page 38-40, Sec. 6
11. **Test Files & Common Problems** - Page 41-42, Sec. 7 & 8
12. **Common Formatting Errors** - Page 42, Sec. 9

Other Contacts

INFORMATION REPORTING PROGRAM CUSTOMER SERVICE CENTER

- Phone: Toll-free within the US: (866) 455-7438 - Outside the US: (304) 263-8700

- Email: mccirp@irs.gov
- TDD (Telecommunication Device for the Deaf): (304) 267-3367
- Fax: Toll-free within the US: (877) 477-0572 - Outside the US: (304) 264-5602

IRS FIRE system guide

The IRS created .pdf walkthrough guide P3609 for FIRE users. For compliance purposes, SoftPro recommends that Pro1099 users reference this guide when submitting their IRSTAX files. Please see the IRS Resources section at the beginning of this document for details on what P3609 covers.

Accessing the FIRE site

You may access the FIRE system site with two methods:

- Use your web browser to go directly to https://fire.irs.gov/.
- From within Pro1099, click **Access the IRS FIRE Web Site** from the **Tools** menu.

Preparing to use the FIRE system

Getting a Transmitter Control Code (TCC)

Before you submit your IRSTAX file to the FIRE System, you must associate it with a Transmitter Control Code. If you have not acquired a TCC from the IRS yet, you need to submit **Form 4419, Application For Filing Information Returns Electronically (FIRE)** to IRS/ECC-MTB no later than 45 days before the due date of your information returns.

- The 4419 form is accessible at the IRS FIRE login site.

After the IRS receives your application, the IRS/ECC-MTB will issue a TCC. The TCC is required on all files and correspondence. After you receive your TCC from the IRS, you need to type it in Pro1099.

Adding the TCC to Pro1099

For information about adding the TCC to Pro1099, see Application Configuration below.

File Compression and Browser Settings

The time required to transmit a file can be reduced up to 95 percent by using compression:

- When sending electronic files larger than 10,000 records, data compression is encouraged.
- WinZip and PKZIP are the only acceptable compression packages. The IRS cannot accept self-extracting zip files compressed files containing multiple files.

Additionally, your web browser must:

- Have pop-up blocking software disabled before attempting to transmit files.
- Be capable of file uploads
- Support SSL 128-bit encryption.
- Enabled to receive cookies, which are used to preserve your User ID status.

Note to existing IRS FIRE system users

If you have already configured your computer to connect to the IRS FIRE system, and submitted using the FIRE system last year, see the Subsequent Connections to the FIRE System section of the IRS P3609 document to get started quickly.

Submission Deadlines

- **February 15, 2021**: The Recipient copy of the Substitute 1099-S must be postmarked by this date.
- **March 31, 2021**: The date by which files must be electronically submitted to the IRS.
- Submit test files to https://fire.test.irs.gov/
  - The Test FIRE system is usually available until early December of the current tax year. The Test site will be unavailable between early December and early January to update the Test site for the next years reporting.
- **Extensions**: File as soon as you know an extension is necessary; Form 8809 must be filed by the due date of the returns.

Fines and penalties

Per 2020 General Instructions for Certain Information Returns, penalties (*Sec O. Penalties*) will affect customers who are late with their submissions. The amount of the penalty is based on when you file your information return. The penalty could be:

- **$50** per information return if you correctly file within 30 days of the due date of the return.
- **$110** per information return if you correctly file more than 30 days after the due date but by August 1st.
- **$280** per information return if you correctly file after August 1st.

For additional information on assessed penalties, please refer to the IRS.gov website.

Verify Pro1099 version (2020 tax year)

Every year, the IRS updates documentation, which requires a 1099 software update to Pro1099. For the submission process, it is necessary to ensure you have the correct version of Pro1099. The most recent update should have been completed with a SoftPro-provided script.

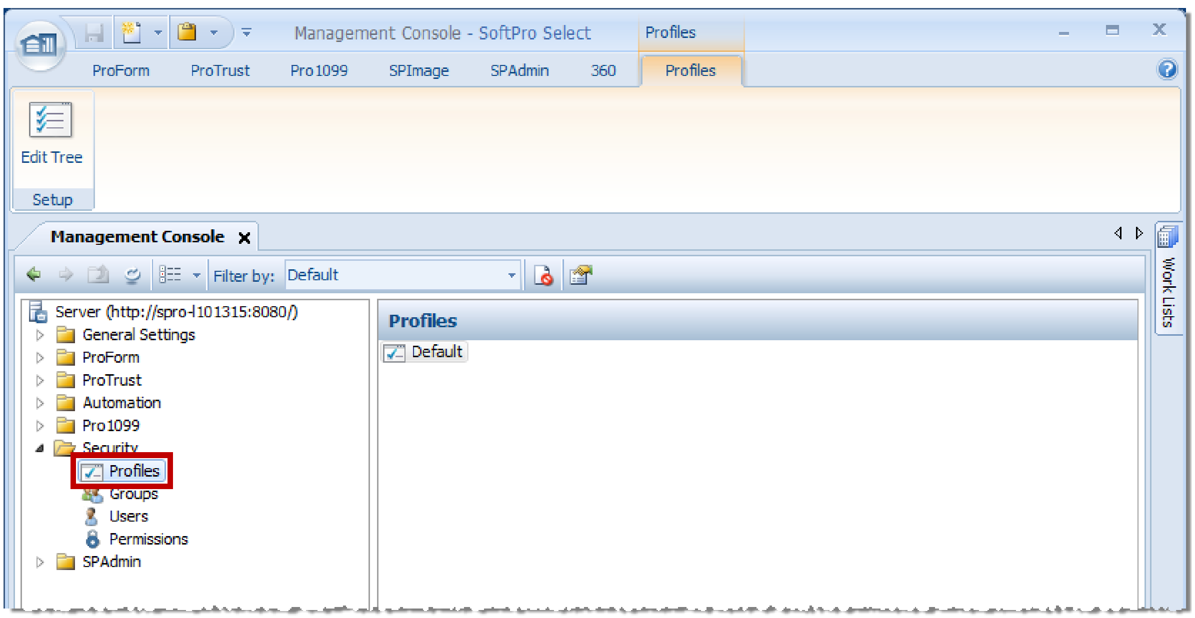
5 Steps to Prepare your 1099

Step 1: Application configuration

Once you have obtained your TCC Code (see Preparing to Use The FIRE System), you can enter it into Pro1099 by following these steps:

1. Click on the **SPAdmin** tab in the ribbon, and then click the **Configuration** button:

2. Under the **Security** folder in the left pane, click **Profiles**, double-click the **Profile** in the right pane that will be used to prepare the 1099 submission, and then select the **1099 Tab** on the dialog that appears.



3. Confirm and/or enter your Transmitter/Payer data (detailed below). The **Transmitter** button won't be active unless your filing situation requires you to uncheck the **Payer functions as transmitter** checkbox. This checkbox is found under the **Options** area in the lower left.
4. Click **OK**.

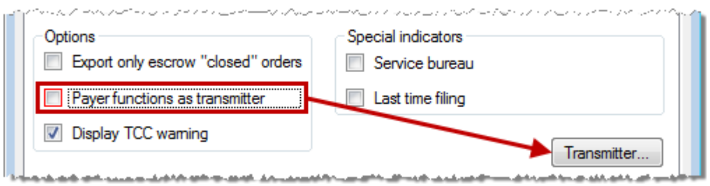
Payer information

- **Payer Name**: Enter the name of the payer who owns the Tax ID Number (TIN). Filers shouldn't enter a transfer agent's name in this field. Any transfer agent's name should appear in the Second Payer Name Line Field.
- **Name Control**: The Payer Name Control can be obtained from the mail label on the Package 1099 that is mailed to most payers in December. Package has the mail label that contains a four-character name control.
    - If a Package 1099 has not been received, you can determine your name control using the following simple rules. For a business, use the first four significant characters of the business name. Disregard the word "the" when it is the first word of the name, unless there are only two words in the name. A dash (-) and an ampersand (&) are the only acceptable characters. Names of less than four characters should be left-justified, filling the unused position with blanks.

- **TCC**: The TCC (Transmitter Control Code) is required by the IRS before a file can be submitted electronically via the IRS FIRE System. Pro1099 requires the TCC number to be entered on the Transmitter/Payer Information screen. The transmitter's other contact information is also required on this screen.

Options

- **Payer functions as transmitter**: Check if the payer is also the transmitter (Default Setting). When the box is un-checked, the transmitter information becomes available.



- **Note**: If the payer functions as the transmitter, then only the payer information section needs to be completed. Also if submitting multiple TaxIDs under one TCC, it is recommended that a "Transmitter" be enter for each TaxID.
- **Display TCC warning**: Checked by default to remind user that a required TCC has not been entered.

EXPORT ONLY ESCROW "CLOSED" ORDERS

- This **defaults to unchecked**:
    - **Unchecked**: exports saved ProForm orders to Pro1099 when the order is a purchase with at least one seller, the **Exclude order from IRS submission** option is unchecked, the Settlement date is equal or prior to today's date and the order status or escrow status is not Hold, Duplicate or Canceled.

- **Checked**: exports saved ProForm orders to Pro1099 when the order is a purchase with at least one seller, the **Exclude order from IRS submission** option is unchecked and the escrow status is closed.

SPECIAL INDICATORS:

- **Service Bureau**: Check to indicate if an agency will produce or submit files for electronic filing.
- **Last Time Filing**: Check if this is the last year this payer name and TIN will file information returns electronically, or on paper; otherwise, enter a blank.
- **Foreign Corporation**: Check to indicate if the transmitter is a foreign entity.

Transmitter Information

- **Transmitter Name**: Enter the name of the transmitter in the manner in which it is used in normal business.

Transmitter and Payer Shared Fields

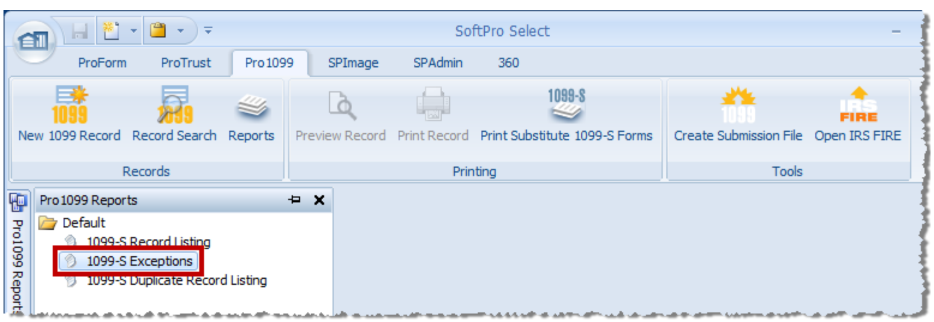
- **Name Line 2:** If more space is required for the name, use the Second Payee Name Line field. The use of the business name is optional in the Second Payee Name Line field. A dash (-) and an ampersand (&) are the only acceptable special characters for First & Second Payee Name lines.
- **Tax ID Number**: Enter the tax ID number (TIN - 9-digit EIN/SSN).
- **Contact Name**: Required. Enter the name of the person to be contacted if IRS/ECC-MTB encounters problems with the file or transmission.
- **Phone Number**: Required. Enter the telephone number of the person to contact regarding electronic files. Note: If the foreign checkbox is checked, the field's format changes slightly to accommodate a foreign phone number (the area code parentheses and dash are removed and the field extends to 20 characters).
- **Phone Extension**: Enter the extension of the person to contact regarding electronic files.
- **E-mail Address**: Required if available. Enter the E-mail address of the person to contact regarding electronic files. If no E-mail address is available, leave blank.
- **Company Name**: Required. Enter the name of the company to be associated with the address where correspondence should be sent.
- **Name Line 2**: Enter any additional information that may be part of the name of the company where correspondence should be sent.
- Mailing Address: Required. Enter the mailing address where correspondence should be sent.
- **City**: Required. Enter the city, town, or post office where correspondence should be sent.
- **State**: Required. Enter the valid U.S. Postal Service state abbreviation.
- **ZIP**: Required. Enter the valid nine-digit ZIP assigned by the U.S. Postal Service.
- **Foreign**: Check if this is a foreign address.
- **Foreign address (text box)**: Enter the foreign address. Check Foreign checkbox and the address.

Step 2: 1099-S Exceptions report

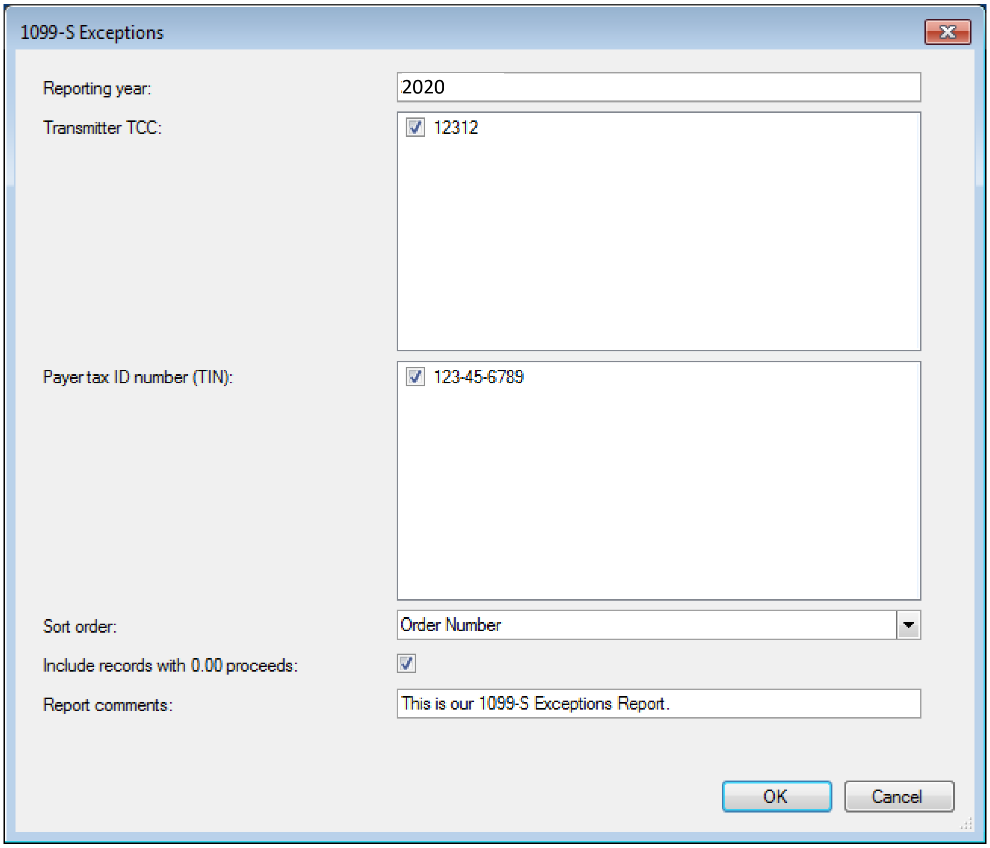
Run the 1099-S Exceptions Report from Pro1099. The report will list the records which need to be corrected (i.e., missing Social Security Number, partial address, legal description, gross proceeds, etc.). When the report runs with no errors, you are ready to create your IRS Submission file. This report lists all non-exempt Pro1099 records that contain one or more exceptions for the tax year specified in reports criteria.

This process will likely be the most time consuming part of the 1099 Submission process. Success in accurately identifying and resolving exceptions will reduce the risk of needing to file a corrected return.

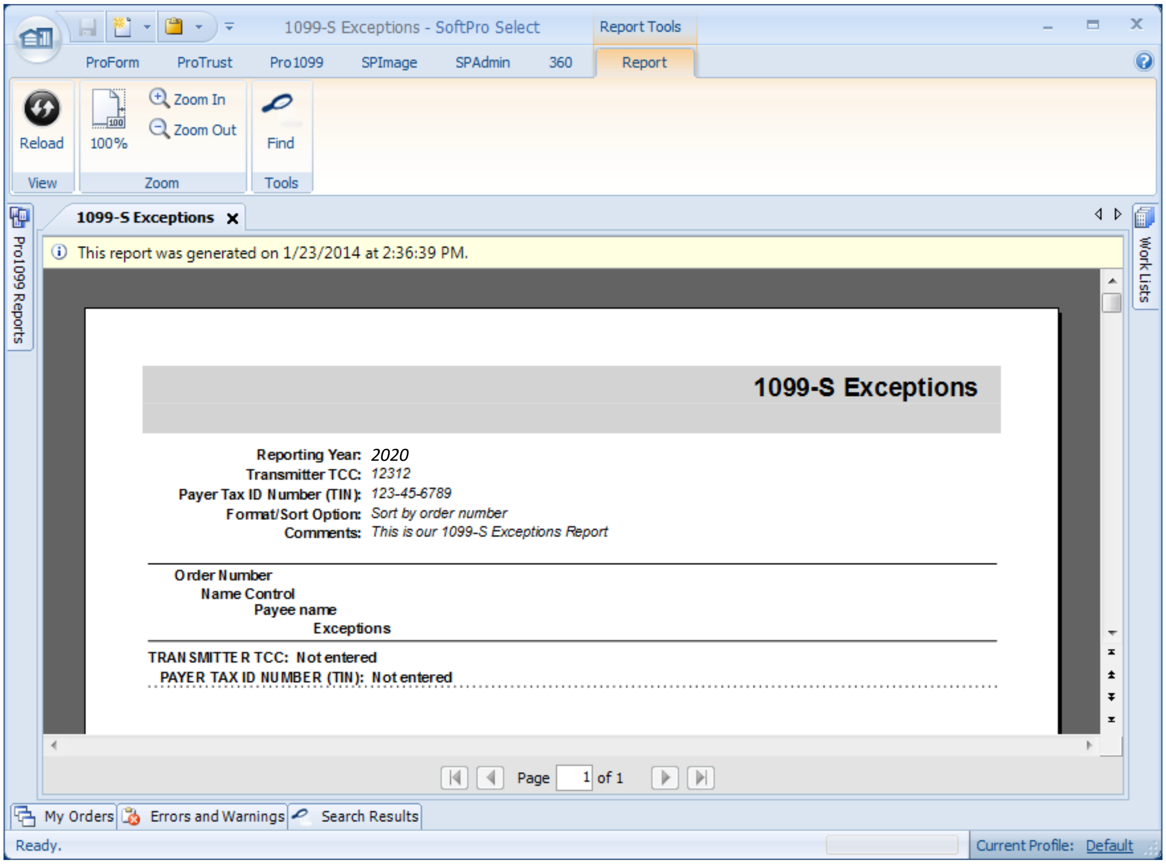
1. Click the **Reports** button under the **Pro1099 tab** and then select the **1099-S Exceptions Report** in the pane that appears at left:



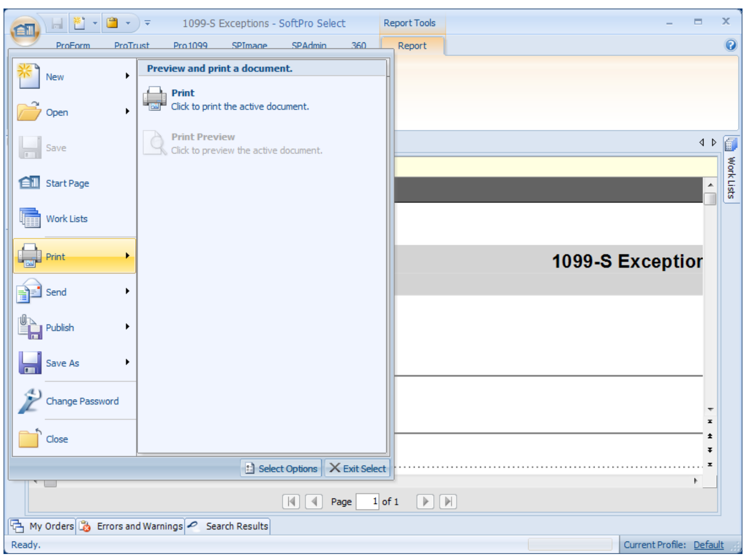
2. Enter your report criteria on the 1099-S Exceptions report **prompts/options dialog**.



3. Click **OK** to view the report.



4. In order to **Print**, you will have to click the Select button in the far upper left, and select that option from the dropdown menu. Other options are available to you as well.

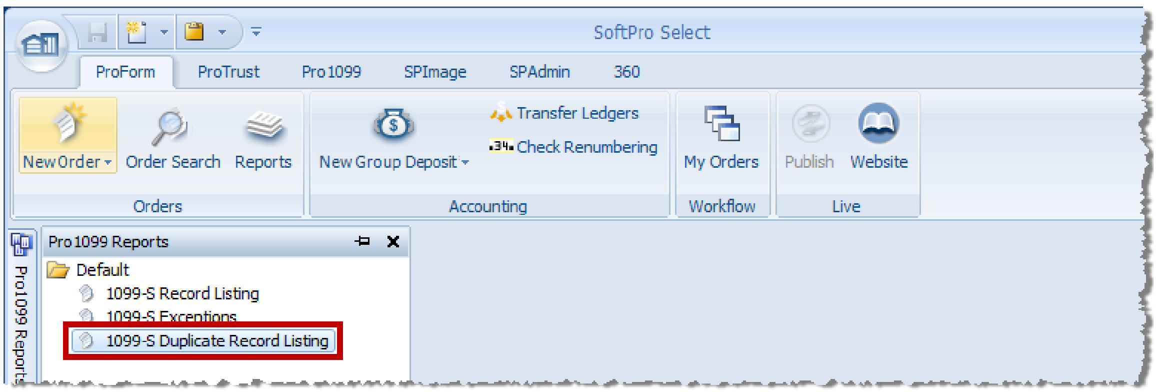


Note: you can preview the report by clicking the **Print Preview** option on the drop-down menu.

The new additional 1099 exceptions (Missing and Orphaned 1099 Records Report and Pro1099 vs. ProForm Data Variances Report) are available for download at the SoftPro Document Portal for all Select users on v4.3.6 through 4.3.16. All Select users on v4.6x and above will have all the 1099 reports in the Default 1099 Report tree

Step 3: 1099-S Duplicate Record listing report

Run the 1099-S Duplicate Record Listing Report from Pro1099. The report will list all records where two or more records contain the same Social Security Number (TIN) and order number. One of the duplicates may need to be deleted prior to creating a submission file. This report is located in the same navigation pane as the 1099-S Exceptions Report from Step 2 above.



The **1099-S Duplicate Record Listing report** lists all Pro1099 records where two or more records contain the same Social Security number and order number.

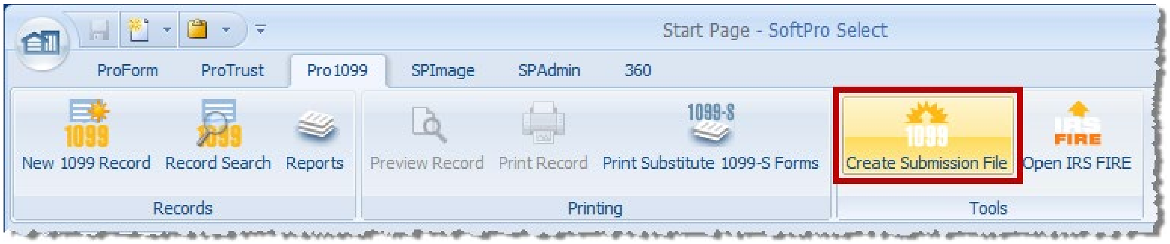
Step 4: Create Submission File

Before producing the IRS TAX file for submission, ensure that all ProForm orders have been exported to Pro1099. The only orders that will be exported are purchase orders that contain a seller, have a settlement date prior to or equal to today's date, and are not canceled, duplicate, or hold status, and which do not have the Exclude order from IRS submission checkbox checked.

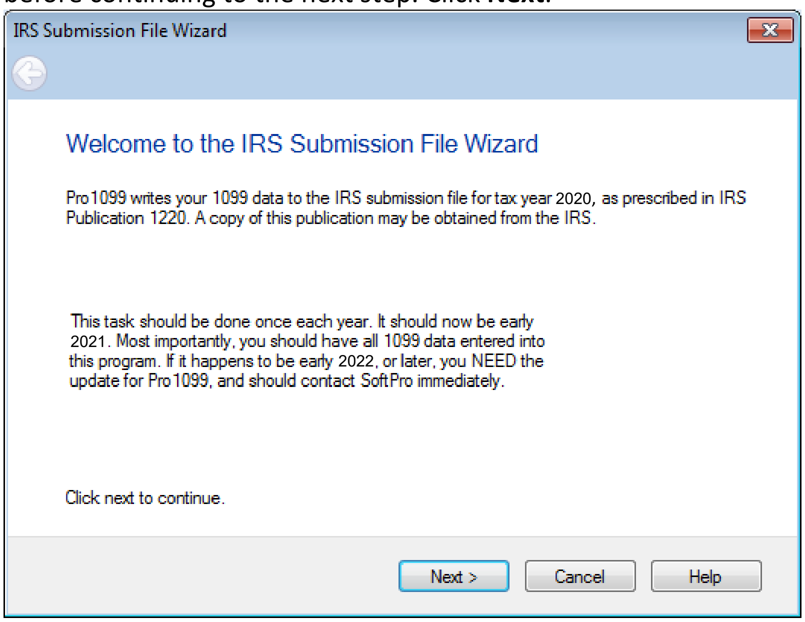
- **Replacement Files**: If you receive notification from the IRS that you need to submit a replacement file, you will create and submit the file in the exact same manner that you create the original file. Follow these steps to create all submissions:

Create your file (**IRSTAX**). When prompted to save, save to your desktop.

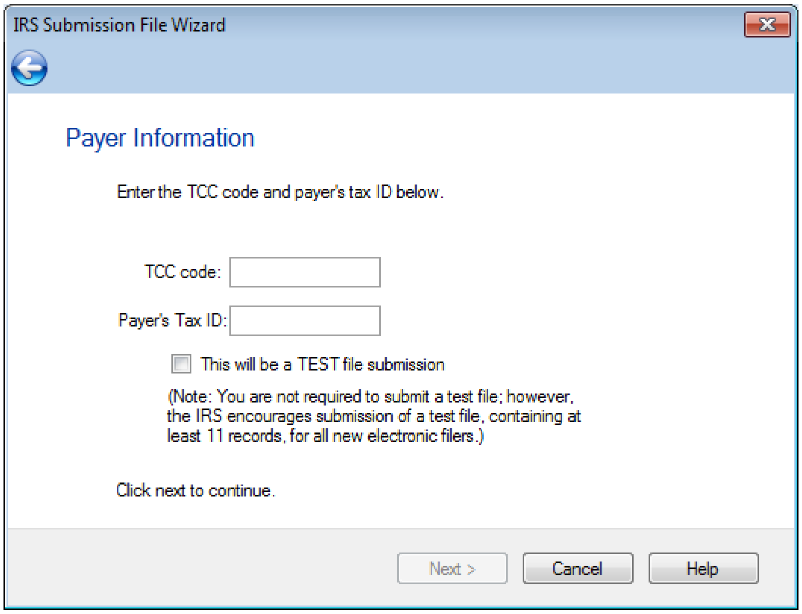
1. **Open the IRS Submission File Wizard**: Select the **Pro1099 tab** and click **Create Submission File**:



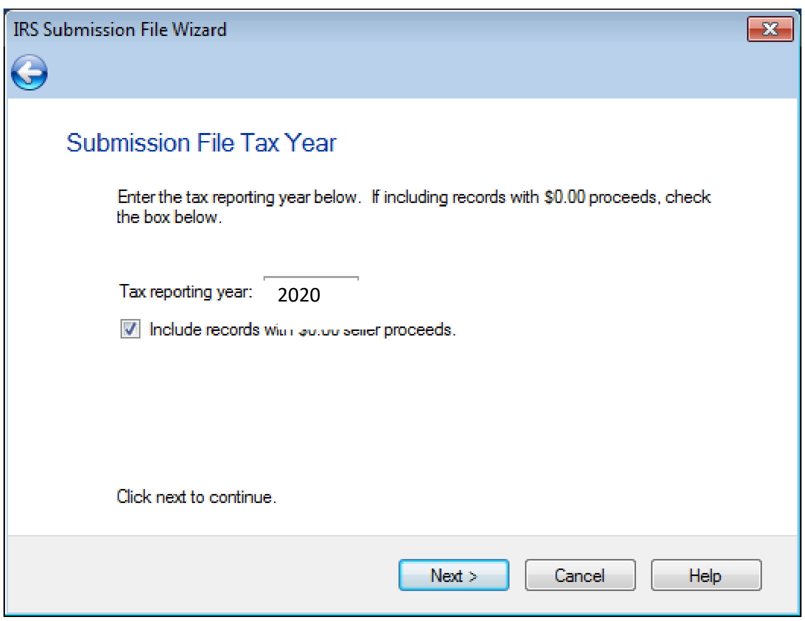
2. **Welcome**: Confirm that your Pro1099 software has been updated with the current Tax Year. The Welcome screen provides a brief summary of why and how often a file needs to be submitted. If you need an update, please contact SoftPro. If you only have one TCC code it defaults to your TCC code in the TCC code field. If you have multiple TCC codes, you are required to enter a TCC code before continuing to the next step. Click **Next**.



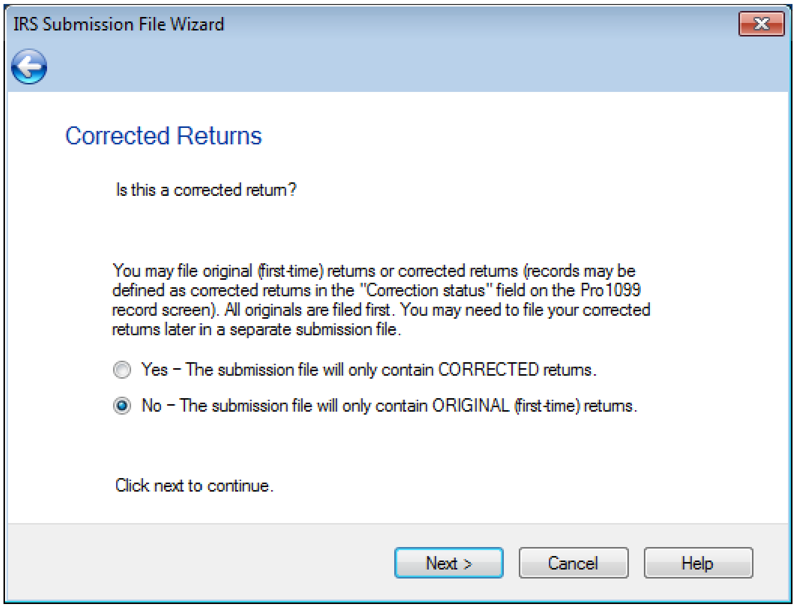
3. **Payer Information**: Enter the **Tax ID** in the **Payer's Tax ID** field. If you have multiple Tax ID numbers for a single TCC code, you may leave this blank and your file will include "A" & "B" records for each Tax ID number associated with the TCC code entered. If you'd like to submit separate files for each Tax ID, you will need to enter the Tax ID number before continuing to the next step. Check the "**This is a TEST file submission**" box if you're submitting a test file. This isn't required, but is suggested for first-time filers. A test file should include at least 11 records. Click **Next**.



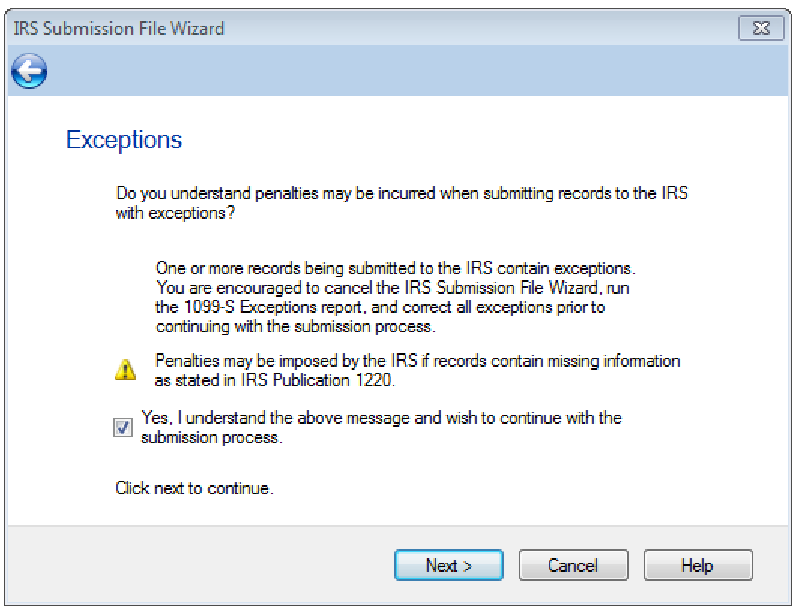
4. **Submission File Tax Year**: Enter the tax reporting year. The year defaults to the current year; you can't enter a future year. Check **Include records with $0.00 seller proceeds** to include records in the file that have $0.00 gross proceeds and the **Property or services received checkbox** is not selected. Click **Next**.



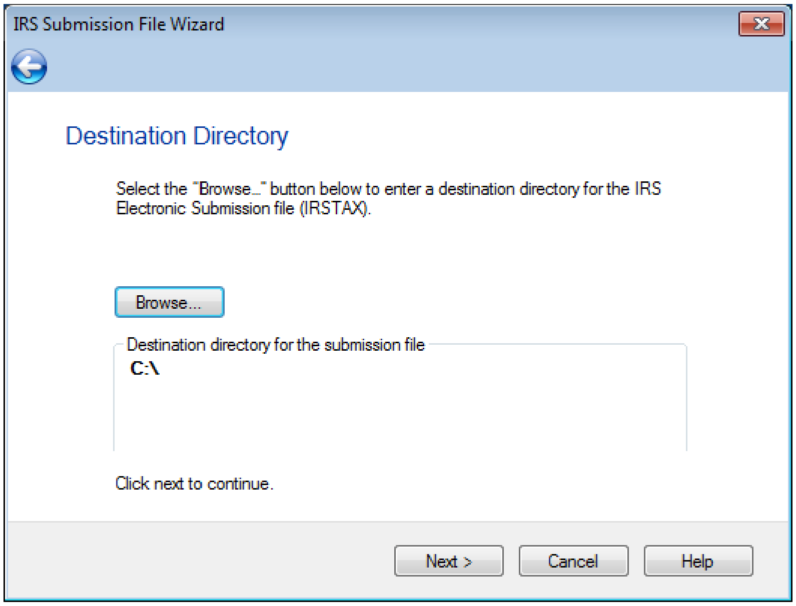
5. **Corrected Returns**: You can create a corrected return by selecting the **Yes** option. Click **No** if this is an initial submission and not a corrected return. A correction is an information return submitted by the transmitter to correct an information return that was previously submitted to and processed by IRS / ECC-MTB, but contained erroneous information. Corrections should only be made to records that have been submitted incorrectly, not the entire file. Click **Next**.



6. **Exceptions**: If you're submitting an IRS Submission file with error (not recommended), then you'll see the screen below. You can generate an IRS submission regardless of 1099 record exceptions. You are encouraged to cancel the wizard, verify, and correct all exceptions (by running an Exceptions Report) before continuing with the submission. Click Cancel to exit the wizard without creating a submission file, or check **Yes, I understand the above message…** and click **Next**:

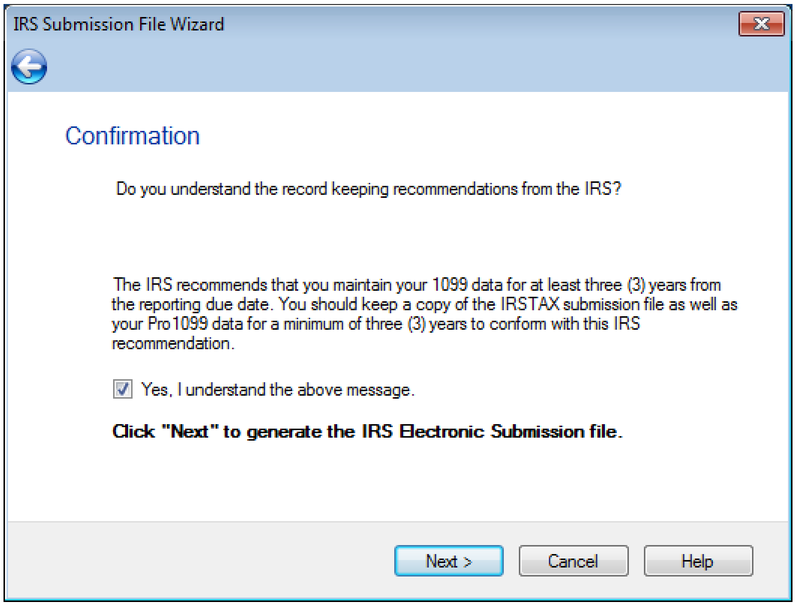


7. **Destination Directory**: Press **Browse** to select a path to save the file to. Click **Next** to continue.

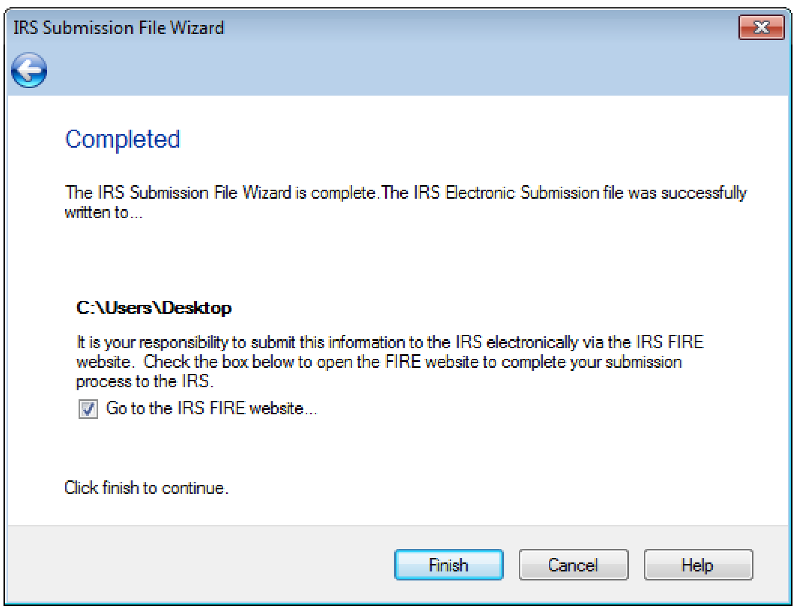


- **NOTE**: You must retain the IRSTAX file you send to the IRS for three years. This text file can be opened in Notepad and reviewed for research in the event of an audit or a returned submission. However, it is important to keep in mind that *Pro1099 will always output a file with the same name, IRSTAX, which could create problems if not named carefully*. To avoid sending an incorrect version of the file to the IRS—as well as to prevent overwriting the previous year's file, there are a few steps that can be taken:
- Identify where you want to save the IRSTAX file BEFORE creating it in Pro1099. (e.g., "Desktop")
- Ensure that the folder or desktop location does not already contain a file called IRSTAX.
- If there is an existing/older copy of an IRSTAX file, simply rename it. (e.g., "IRSTAX2019")
- AFTER submitting the new file, rename the file to something different. (e.g., "IRSTAX2020")
- Newest Release – will auto append the Day and Time to the file (e.g., "IRSTAX_020420_0930")
- You may rename this output file whatever you wish, and submit that file. For example, you may rename "IRSTAX" to "FIREsubmission2020" and then submit to the IRS.
- Confirmation

8. Select **Yes, I understand the above message** if you understand the IRS's recommendations, and to generate the file. Click **Next**.



9. **Completed**: This indicates your file has been generated and saved to your chosen location.

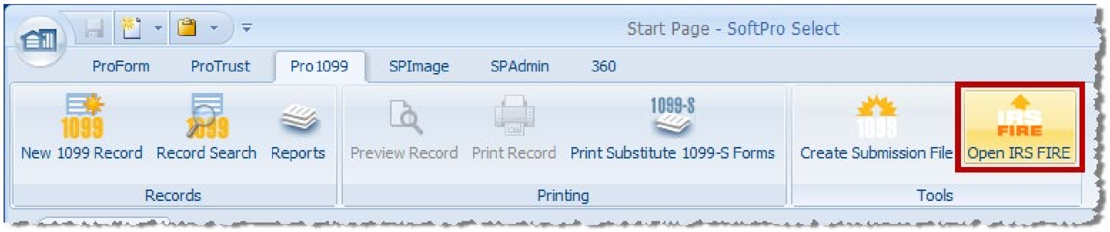


10. Check **Go to the IRS FIRE Website…** and click **Finish** to connect to the IRS FIRE system via an Internet browser.

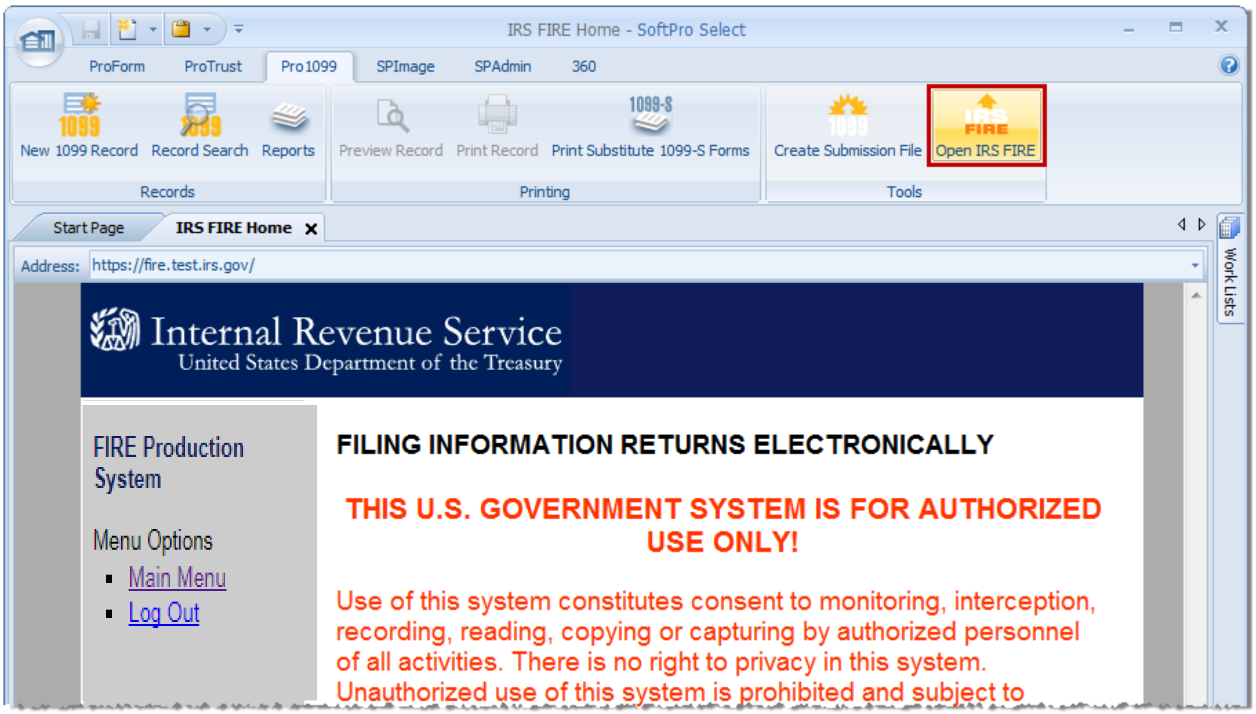
Step 5: Submit File(s) to the IRS FIRE website

To upload your submission, file you'll need to access the IRS FIRE Website. For more information see the section above About the IRS Fire System.

1. From Pro1099, go to the Tools menu on the ribbon, then press **Open IRS FIRE**.



2. The FIRE site will appear within the Select application.



Submitting a Replacement File

WHAT IS A REPLACEMENT FILE?

Replacement files are not the same as corrected returns. A replacement file is an information return file sent by the filer, because the CHECK FILE STATUS option on the FIRE System indicated the file was bad. A replacement file:

- …may be required for **bad originals** OR **bad correction files**. If it is a **bad correction file**, it is created in Pro1099 as a correction and uploaded to the IRS as a replacement file for a bad correction file.
- **…must be submitted within 60 days** from the day the original file was transmitted.

HOW DOES ONE SUBMIT A REPLACEMENT FILE?

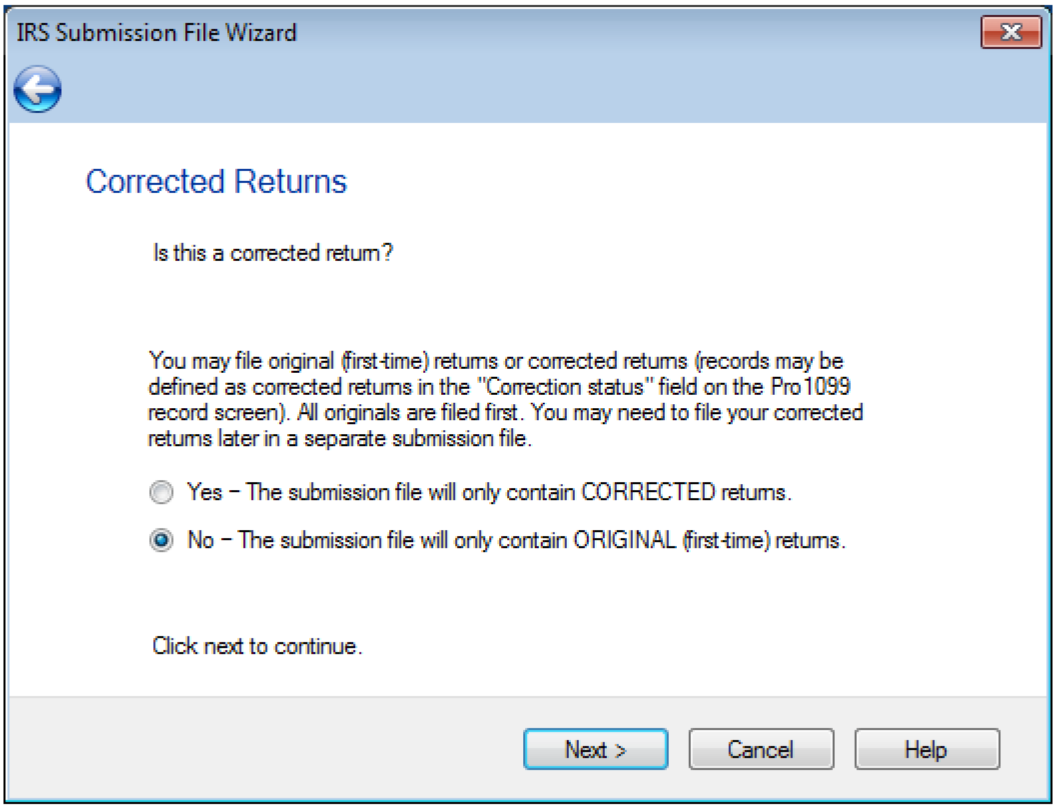
Replacement files are submitted in exactly the same manner as original submissions. After the necessary changes have been made, the file must be transmitted through the FIRE System. The IRS website will automatically code your submission as a Replacement. Filers shouldn't transmit anything to IRS/ECC-MTB as a **Replacement** unless the CHECK FILE STATUS option on the FIRE System indicates the file is bad.

HOW DOES ONE CREATE A REPLACEMENT FILE?

To create a replacement file, follow the same steps you would to create an original submission with Pro1099. Read the remaining warnings and follow all instructions until the replacement has been created.

Correcting 1099-S Returns

Corrections to 1099-S submissions to the IRS may take either one or two transactions, depending on the type of correction being made.



Corrections requiring one transaction.

Original return was filed with one or more of the following errors:

- Incorrect Payee Address
- Incorrect Payee Name

To make corrections requiring one transaction:

1. Retrieve each Pro1099 record that needs to be corrected.
2. Correct the error in the record.
3. Select “One part or first of a two part correction” in the **Correction Status:** field.

Corrections requiring two transactions.

Original return was filed with one or more of the following errors:

- No payee TIN (SSN or EIN) – Contact SoftPro for additional details
- Incorrect payee TIN – Contact SoftPro for additional details
- Wrong type of return indicator
- Incorrect payee name and address

To make corrections requiring two transactions:
Note: Please contact SoftPro for Tax ID corrections.

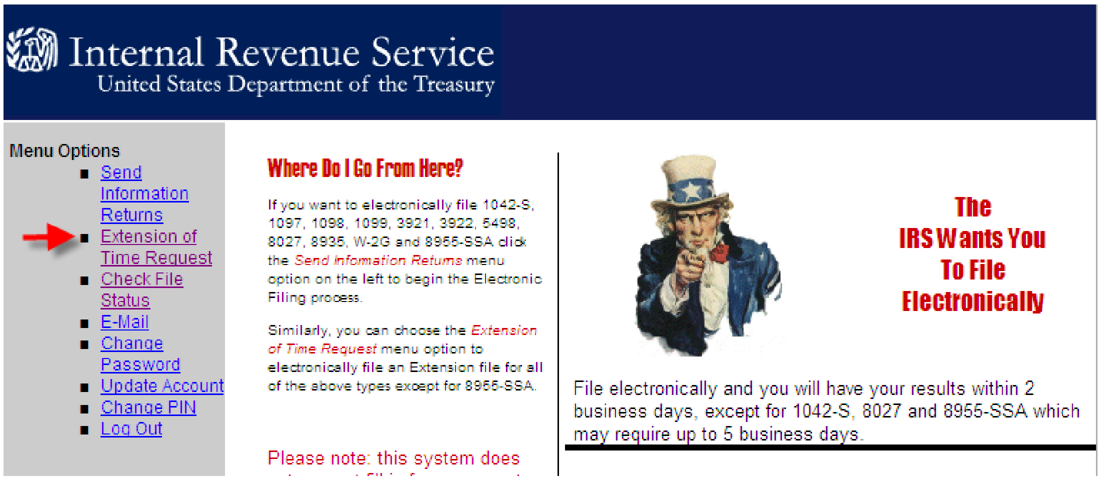
1. Retrieve each of the Pro1099 records that need to be corrected.
2. Do not correct the error. The record should appear exactly as it was in the original submission.
3. Select One part or first of a two-part correction in the Correction Status: field on the original 1099 record.
4. Add a new 1099 record containing the correct information.
5. Select Second of a two-part correction in the Correction Status field on the new 1099 record.

Submitting Additional Transactions

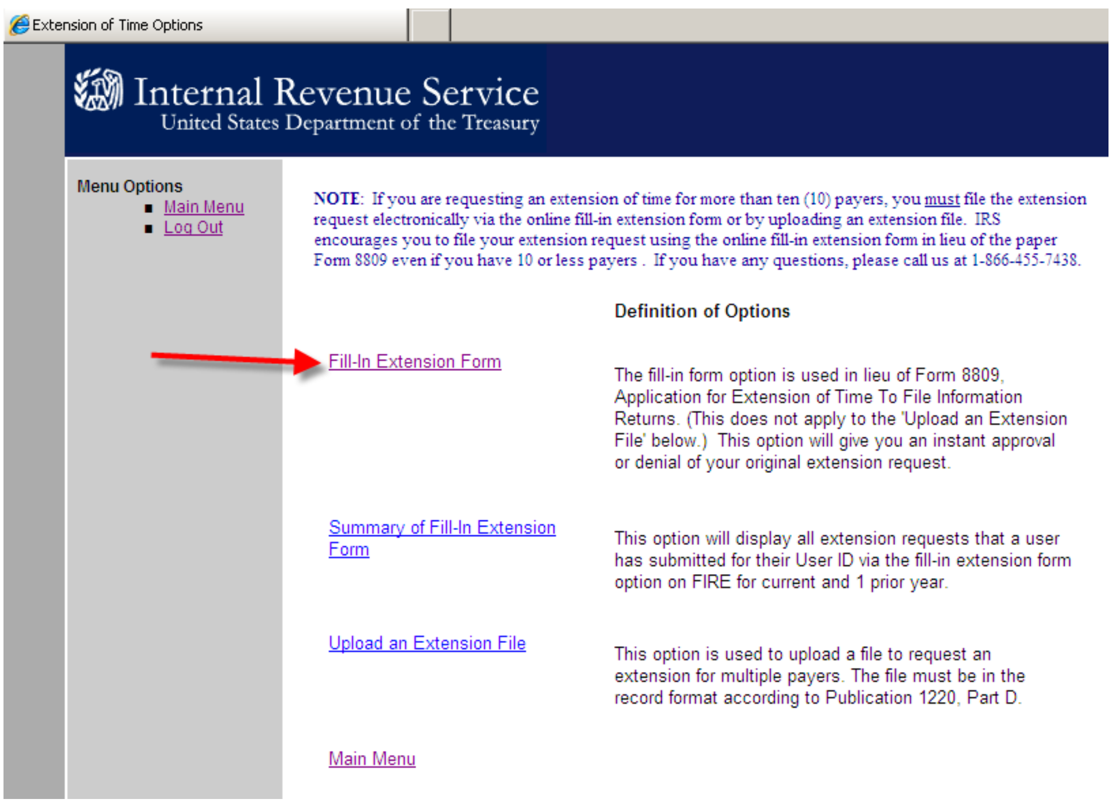
If you send the file to the IRS and discover that transactions were left out in error, you will need to contact SoftPro Support. The submission of these additional transactions is not considered a correction to the original submission; it is considered a "Second Original."

Extension of time request for 1099-S

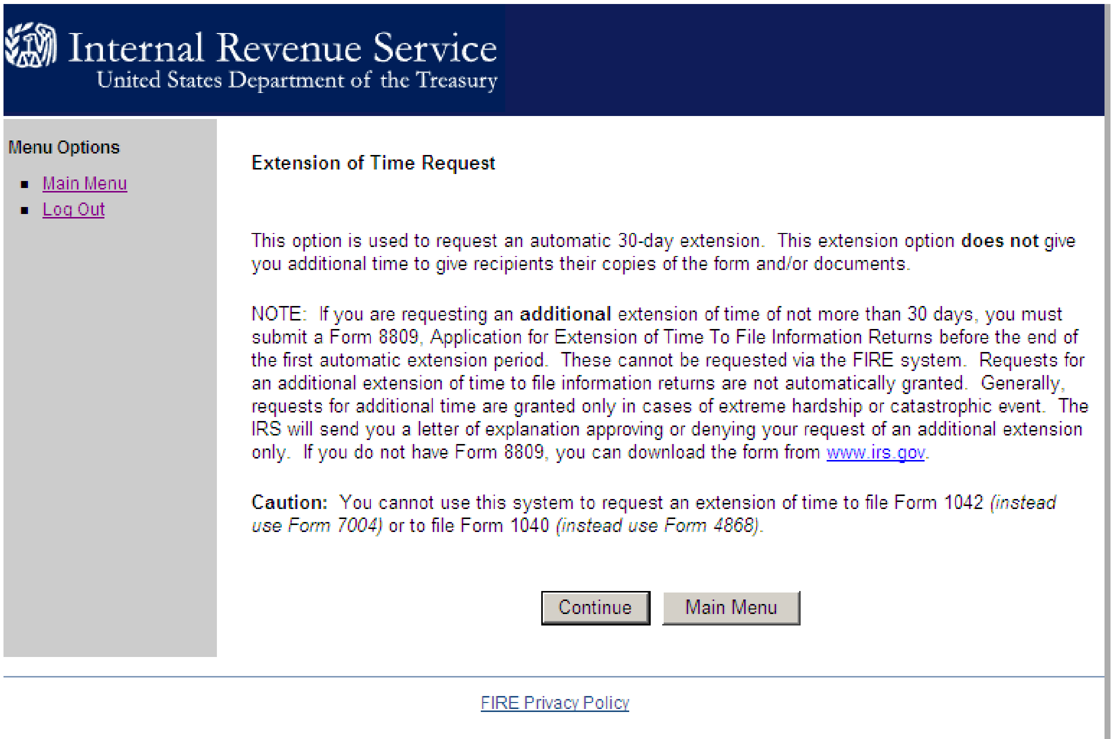
1. **Log on** to the https://fire.irs.gov site with the current FIRE userid/password. Click on **Extension of Time Request**:



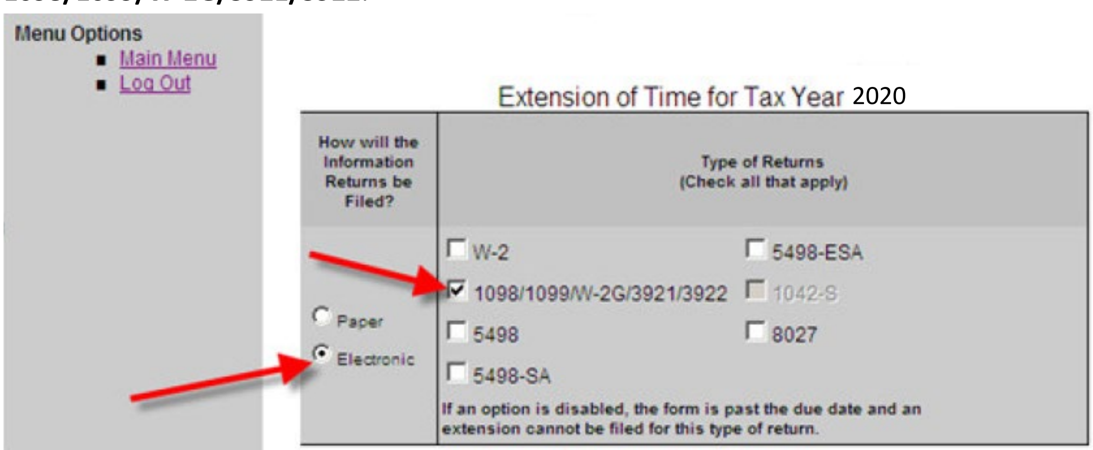
2. Click **Fill-In Extension Form**:



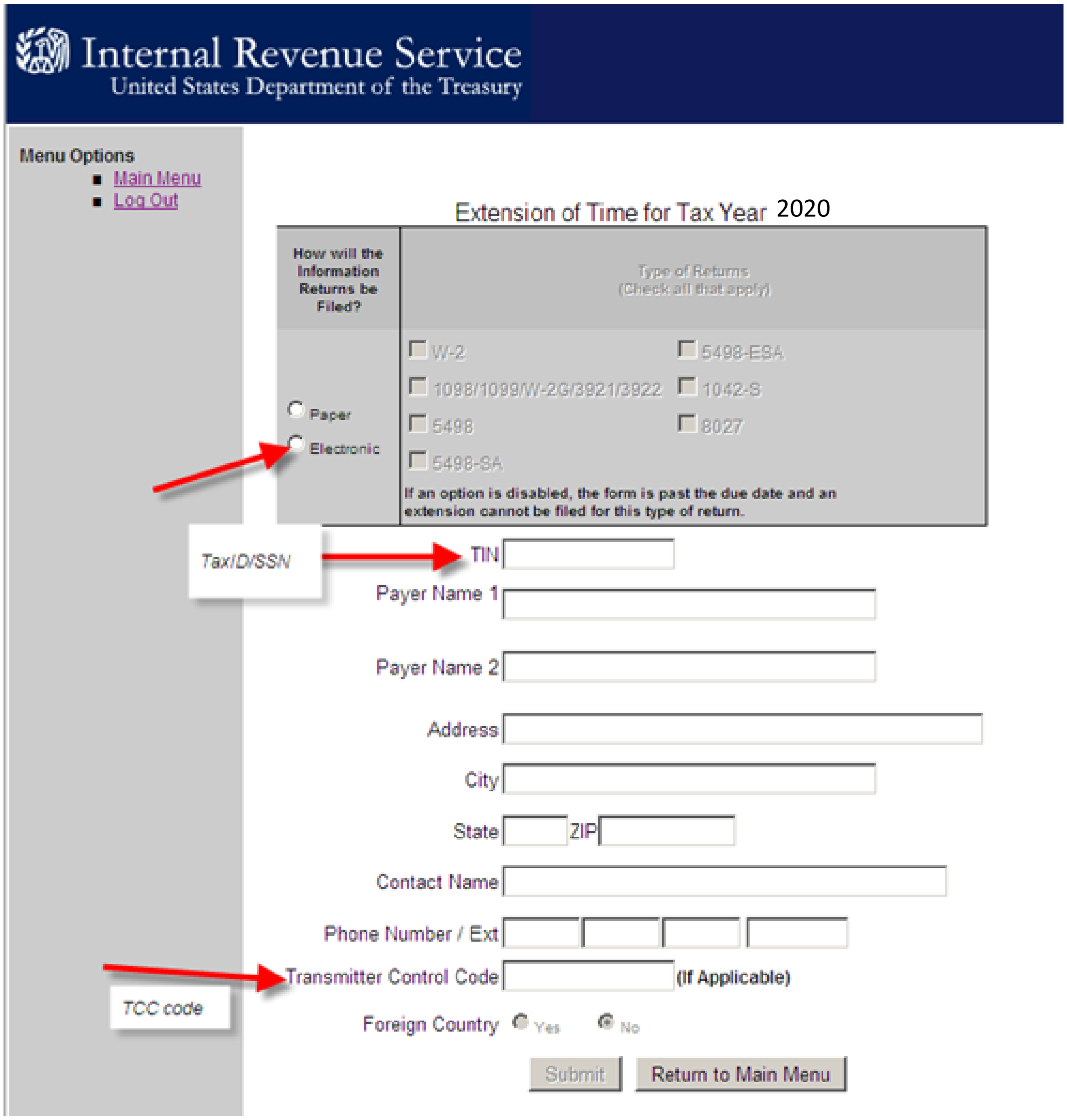
3. **Review** the information below; note that **this extension is ONLY for 30 days**:



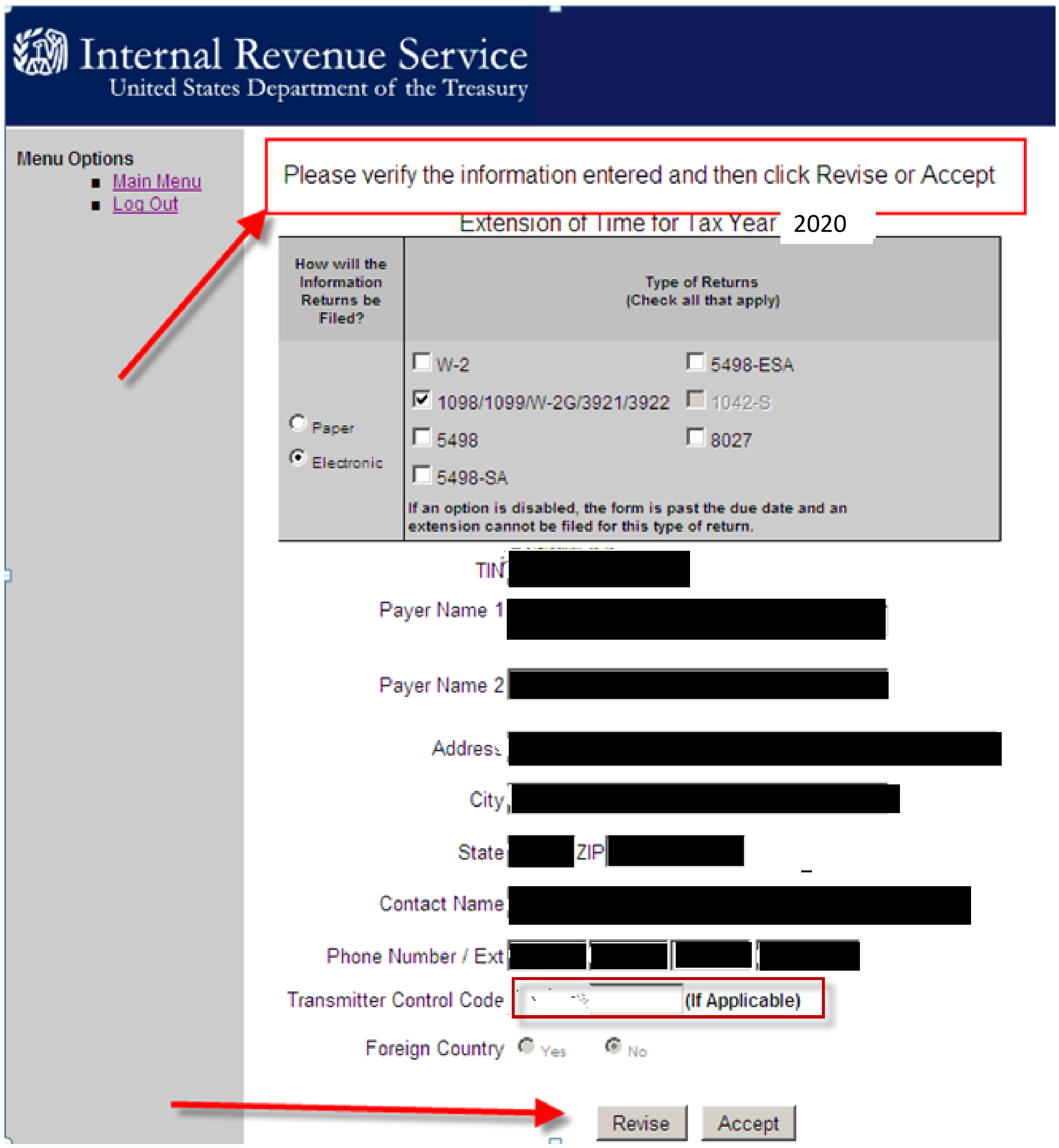
4. Select **Electronic** and the fields at the bottom of the screen will be enabled. Check the box labeled **1098/1099/W-2G/3921/3922**:



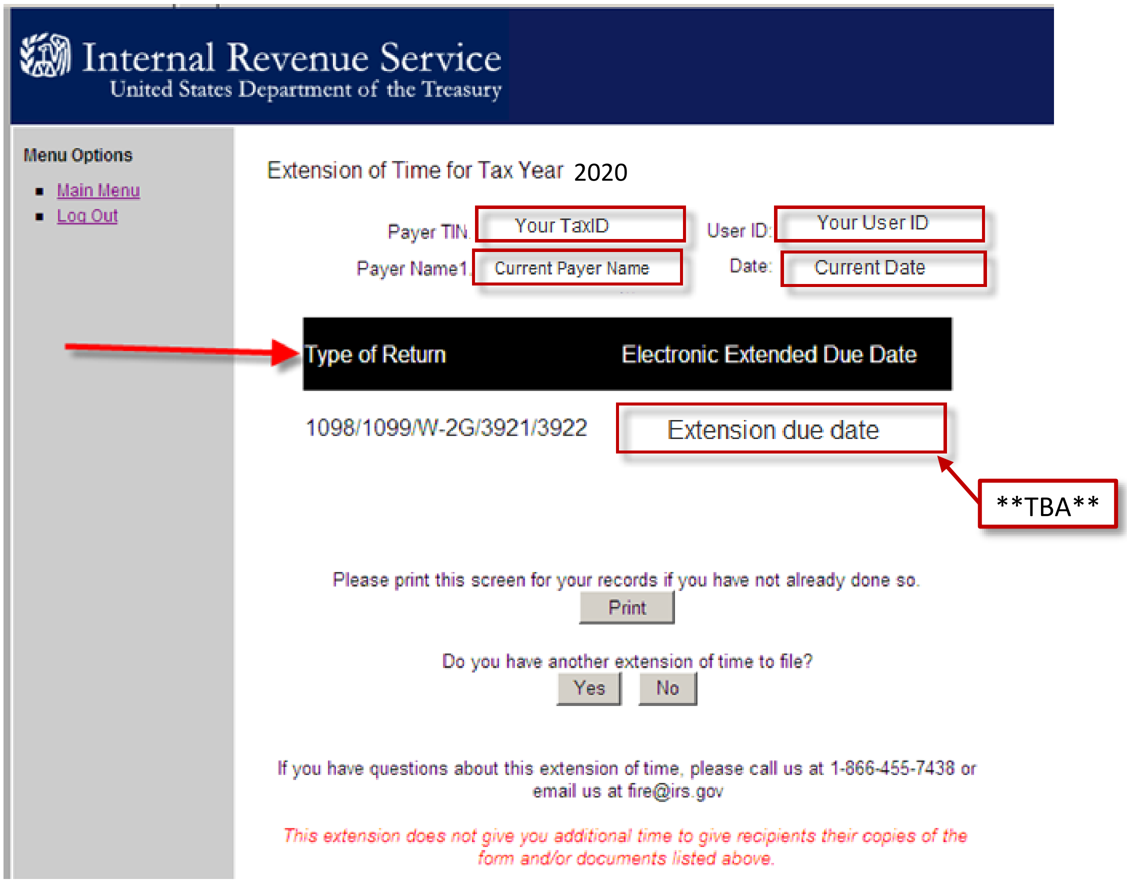
5. Once required fields have been entered, the **Submit** button will be enabled:



6. Please **verify the information entered** and then click **Revise** or **Accept**. If no changes are needed, click **Accept** to proceed to the confirmation page.



7. **Print this page** for your records:



Getting Help

The SoftPro Solution Center is available to you by telephone at **(800) 848-0143** and is open from 8:00 A.M to 5:00 P.M. Monday–Friday during your local time. Platinum level support hours are from 8:00 A.M to 10:00 P.M. EST Monday–Friday and 11:00 A.M. to 2:00 P.M. EST on Saturday.

You can extend technical support service by subscribing to SoftPro's Annual Maintenance Service program. Subscribing to Platinum Maintenance Service gives you access to technical support for longer hours Monday–Saturday. For more information, call SoftPro Sales at **(800) 848-0143**. You can email SoftPro Sales at sales@softprocorp.com.