

CALIFORNIA REAL ESTATE WITHHOLDING FOR INDIVIDUALS

- » California Real Estate Withholding is prepayment of estimated income tax due the State of California on gain from the sale of California real property. If the amount withheld is more than the income tax liability, the state will refund the difference when you file a tax return for the taxable year.
- » It is not an additional tax on the sale of the real estate. It is your obligation to file a California tax return, pay any tax due and claim any real estate withholding payment on your California tax return.
- » The standard withholding is 3.3% of the purchase price of the property, in accordance with California Revenue and Taxation Code Section 18662.

Form 593-C will be provided with your escrow instructions. The seller should carefully fill out the form to see if any exemptions apply. Generally speaking, the following are exemptions from withholding:

- » The sale of your principal residence.
- » Properties with a total sales price that does not exceed \$100,000.
- » The property is being foreclosed upon (sold pursuant to a power of sale under a mortgage or deed of trust, sold pursuant to a decree of foreclosure, or by deed in lieu of foreclosure).
- » The seller is a bank acting as a trustee other than a trustee under a deed of trust.

Are there any exceptions?

- » Yes, there are exceptions, and you should review them on the Franchise Tax Board's website at ftb.ca.gov.
- » In some cases, you may estimate the actual gain on the sale of the property and qualify for a lesser amount of withholding. Use form 593-E, Real Estate Withholding-Computation of Estimated Gain or Loss, to determine your loss or gain on the sale or to calculate an alternative withholding amount.

IMPORTANT NOTE:

- » A seller who does not have a social security number or ITIN (Individual Taxpayer Identification Number) is subject to withholding regardless of any possible exemptions to withholding.



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