

This brochure provides an overview of California real estate installment sales, including how to:

- ◆ Withhold during and after escrow.
- ◆ Claim withholding credit.
- ◆ Elect out of withholding on subsequent installment payments.



# California Real Estate Withholding Installment Sales

## Forms and Publications

Go to [ftb.ca.gov](http://ftb.ca.gov) to find the following forms and publications we mention in this brochure:

Search for...	Title
593	<i>Real Estate Withholding Statement</i>
593-V	<i>Payment Voucher for Real Estate Withholding</i>
1016	<i>Real Estate Withholding Guidelines</i>

For more information about California real estate withholding, refer to FTB Pub. 1016.

## Contact Us

### Web

Go to [ftb.ca.gov](http://ftb.ca.gov) and search for **installment sales** for more information.

**MyFTB** offers secure online tax account information and services, including available nonwage withholding credits. For more information and to register, go to [ftb.ca.gov](http://ftb.ca.gov) and search for **myftb**.

### Phone

Phone: 888.792.4900  
916.845.4900 (outside U.S.)

California  
Relay

Service: 711 or 800.735.2929  
Fax: 916.845.9512

### Mail

WITHHOLDING SERVICES  
AND COMPLIANCE MS F182  
**FRANCHISE TAX BOARD**  
PO BOX 942867  
SACRAMENTO CA 94267-0651

## Quick Reference Guide



STATE OF CALIFORNIA  
**Franchise Tax Board**

## Overview

For withholding purposes, an installment sale is a sale of California real property where the seller receives at least one payment after the tax year of the sale.

We require the buyer to withhold on the principal portion of each installment payment, unless a withholding exemption applies.

## At the Close of Escrow

For an installment sale, we require the remitter to:

- ◆ Complete all applicable parts of Form 593.
  - ❖ Sign, date and complete the Remitter portion on Side 3.
- ◆ Withhold 3 1/3 percent or the alternative withholding calculation on the principal portion of the down payment.
- ◆ Submit Form 593, a copy of the promissory note, the amount withheld, and Form 593-V.

## After Escrow Closes

The buyer must continue to withhold on the principal portion of all installment payments following the close of escrow. The buyer must:

- ◆ Send us the following by the 20th day of the month, following the month escrow closes or payment is received:
  - ❖ Form 593
  - ❖ Withholding payment
  - ❖ Form 593-V
- ◆ Provide a copy of Form 593 to the seller.

## Future Events

- ◆ The buyer must write “Final Installment Payment” on the bottom of Form 593 when sending the final installment payment with Form 593-V.
- ◆ Inform us in writing within 60 days if the terms of the installment sale, promissory note, or payment schedule change.

## Claim Withholding Credit

We require the seller to file the appropriate California income tax return, report the installment sale income, and claim the related withholding credit in each tax year they receive installment payments.

## How to Elect Out of Withholding on Subsequent Installment Payments

The seller may be eligible for a release from withholding on installment payments following the close of escrow. To elect out of withholding on installment payments from the sale of California real property, the seller must fulfill the following requirements:

- ◆ File a California income tax return and report the entire gain on Schedule D-1 in the year of the sale.
- ◆ Contact us by phone, fax, or mail to request we release the buyer from withholding on subsequent installment payments. We will respond to the request within 30 days.
- ◆ Receive an approval from us.

The buyer must continue to withhold until the seller receives our approval and notifies the buyer of the release.

