

This brochure provides an overview of withholding on California real estate sales by foreign sellers, including:

- ◆ Taxpayer Identification Number.
- ◆ Withholding exemptions.
- ◆ Withholding methods.
- ◆ Penalties for false certification.
- ◆ Filing instructions.

## 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 **withholding requirements** 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.)  
TTY/TDD: 800.822.6268  
Fax: 916.845.9512

### Mail

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

# California Real Estate Withholding Foreign Sellers

## Quick Reference Guide



## Overview

California law requires real estate withholding when a transfer of title on California real property occurs, unless a full or partial exemption applies. For withholding purposes, “foreign” is defined as a nonresident of the United States.

As a foreign seller of California real property, you must follow the same withholding requirements as domestic sellers.

## Taxpayer Identification Number

As a foreign seller, you need an Individual Taxpayer Identification Number (ITIN) to:

- ◆ Certify that you qualify for a withholding exemption and submit a completed and signed Form 593, *Real Estate Withholding Statement*.
- ◆ Timely file your California income tax return.

You must apply for an ITIN through the Internal Revenue Service.

If you cannot get an ITIN before the close of escrow, **Form 593, Part III, is void and withholding is required.**

## Withholding Exemptions

Review Form 593, Part III and IV, to determine if you meet the criteria for a full or partial exemption from real estate withholding.

To certify your qualification of a full exemption of real estate withholding, submit a completed and signed Form 593, including Parts I, II, and III, to your real estate escrow person before the close of the real estate transaction.

If you meet the criteria for a partial exemption on Form 593, Part IV, withholding may be due.

If you do not meet the criteria for a full or partial exemption, **withholding is required.**

## Withholding Methods

To calculate real estate withholding, you may choose one of the following methods:

- ◆ **Total Sales Price method:**
  - ❖ Total sales price x 3 1/3% (.0333)
- ◆ **Alternative Withholding Calculation method:\***
  - ❖ Estimated gain x seller’s maximum tax rate

\*If the Alternative Withholding Calculation method is chosen, complete and sign Form 593, including Parts I, II, IV (box 12), VI, and VII. Submit Form 593, Form 593-V, and the related withholding to us and retain a copy of Form 593 for at least five years.

## Penalties for False Certification

If you knowingly complete and sign Form 593 with false information to avoid withholding, you are liable for a penalty of \$1,000 or 20 percent of the required withholding amount, whichever is greater.

## Filing Instructions

Once you determine whether withholding is required, complete, sign, and submit to us the following:

- ◆ For a full exemption:
  - ❖ Form 593
- ◆ For a partial exemption:
  - ❖ Form 593
  - ❖ Form 593-V
  - ❖ Withholding payment (for installment sales, boot, or a failed exchange)
  - ❖ A promissory note or installment agreement (with initial payment of an installment sale)
- ◆ For no exemption:
  - ❖ Form 593
  - ❖ Form 593-V
  - ❖ Withholding payment
  - ❖ A promissory note or installment agreement (with initial payment of an installment sale)

To receive the withholding credit, you must file a California income tax return and claim the amount withheld. If you do not have an ITIN at close of escrow, you must contact us immediately once you get one so we can:

- ◆ Assign the withholding credit to your account.
- ◆ Approve your claim for the withholding credit when you file your income tax return.

If you fail to provide a valid ITIN, we may be unable to properly apply your withholding credit.

