

Members of the Franchise Tax Board

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This booklet contains:

Form 593, Real Estate Withholding Tax Statement

Form 593-C, Real Estate Withholding Certificate

Form 593-E, Real Estate Withholding – Computation of Estimated Gain or Loss

Form 593-I, Real Estate Withholding Installment Sale Acknowledgement

Form 593-V, Payment Voucher for Real Estate Withholding



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ONLINE SERVICES

Go to ftb.ca.gov and search for **real estate withholding** for:

- **Forms with Instructions** – Find current real estate withholding forms and instructions.
- **Publication 1016**, Real Estate Withholding Guidelines.

- **Secure Web Internet File Transfer (SWIFT)** – File your information returns electronically.
- **Subscription Services** – Sign up to receive emails on updated real estate withholding information.

- **Webinars** – Information on real estate forms.

2019 California Real Estate Forms and Instructions

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 2015**, and to the California Revenue and Taxation Code (R&TC).

What's New

Like-Kind Exchanges – The Tax Cuts and Jobs Act (TCJA) amended Internal Revenue Code (IRC) Section 1031 limiting its application to real property that is not primarily held for sale. Additionally, under the TCJA, exchanges of personal property and intangible property do not qualify for nonrecognition of gain or loss as like-kind exchanges. California does not conform to the amendments under the TCJA. For California purposes, IRC 1031 as it existed on January 1, 2015, applies.

General Information

Real Estate Withholding Requirement

Withholding is required when California real estate is sold or transferred. The real estate escrow person (REEP) is required to notify buyers of withholding requirements, unless the buyer is a qualified intermediary (QI) in a deferred exchange. The amount withheld from the seller or transferor is sent to the Franchise Tax Board (FTB) as required by R&TC Section 18662.

Purpose

Use the forms and instructions in this booklet for real estate sales or transfers closing in 2019. For more information about real estate withholding, get FTB Publication 1016, Real Estate Withholding Guidelines.

Real Estate Withholding Forms to Use During Escrow

Use the charts on the following page to determine which forms you will need to use if you are a real estate seller, buyer, QI, or REEP.

Information on Installment Payments That Follow the Close of the Real Estate Transaction

The buyer must continue to withhold on all installment payments following the close of the real estate transaction. By the 20th day of the month following the month of each installment payment:

- Complete and file a **current tax year** Form 593 and the required withholding payment along with Form 593-V.
- Provide a copy of Form 593 to the seller.

Real Estate Withholding Exclusions

The following are excluded from withholding on real estate transactions:

- The United States and any of its agencies or instrumentalities.
- A state, a possession of the United States, the District of Columbia, or any of its political subdivisions or instrumentalities.

If you are a seller, buyer, REEP, or QI, use this guide to help you get started on California real estate withholding during escrow. For more details, see the individual forms with instructions and FTB Pub.1016.

	Form	Title and Purpose	Required Action
Seller	593-C	Real Estate Withholding Certificate Certify that you qualify for a full or partial exemption from real estate withholding.	<ul style="list-style-type: none"> If you qualify for an exemption, complete, sign, and return Form 593-C to your REEP before the close of the real estate transaction.
	593-E	Real Estate Withholding – Computation of Estimated Gain or Loss Calculate whether you have a gain, loss, or zero gain on the real estate sale.	<ul style="list-style-type: none"> If you calculate a loss or zero gain on the sale, you can claim an exemption from withholding using Form 593-C. (See Required Action for Form 593-C.) If you calculate a gain on the sale, you may elect to use the optional gain on sale withholding calculation instead of the total sales price method. This election requires a certified Form 593. Sign and keep a copy of Form 593-E for 5 years.
	593	Real Estate Withholding Tax Statement Report your withholding on the real estate sale, or certify you are using the optional gain on sale withholding calculation method.	<ul style="list-style-type: none"> If you do not qualify for an exemption, withholding is required. You must complete the seller information on Form 593 and provide it to your REEP. If you elect to use the optional gain on sale withholding calculation method: <ol style="list-style-type: none"> Notify the REEP of the withholding amount. Sign Form 593.

	Form	Title and Purpose	Required Action
Buyer	593-I	Real Estate Withholding Installment Sale Acknowledgment Disclose the terms of the installment sale transaction and acknowledge you will withhold on each future installment payment.	<ul style="list-style-type: none"> If you enter into an installment agreement with the seller, complete and sign Form 593-I and return it to the REEP. Include a copy of the promissory note. Keep a copy of Form 593-I. You need the information to complete withholding on future installment payments.

	Form	Title and Purpose	Required Action
QI/REEP/Buyer	593-C	Real Estate Withholding Certificate Verify the seller is exempt from withholding.	<ul style="list-style-type: none"> Verify you received a completed, signed Form 593-C before the close of the real estate transaction. Keep a copy of Form 593-C for 5 years.
	593	Real Estate Withholding Tax Statement Report withholding on real estate sales or transfers.	<ul style="list-style-type: none"> Verify Form 593 is signed if the seller elects the optional gain on sale withholding calculation method.
	593-V	Payment Voucher for Real Estate Withholding Remit withholding payments on real estate sales or transfers.	<ul style="list-style-type: none"> Submit Form 593, Form 593-V, and Form 593-I with a copy of the promissory note (if applicable) to FTB within 20 days following the end of the month in which payment is received.
	593-I	Real Estate Withholding Installment Sale Acknowledgment Report an installment sale (if applicable).	<ul style="list-style-type: none"> Provide the seller with a copy of the completed Form 593 within 20 days following the end of the month the real estate transaction closes or an installment payment is made. Keep a copy of all real estate withholding forms for 5 years.

Go to ftb.ca.gov/forms to get the forms referenced above. For questions about California real estate withholding, contact Withholding Services and Compliance at 888.792.4900 or 916.845.4900.

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Visit our website:

ftb.ca.gov

2019 Instructions for Form 593

Real Estate Withholding Tax Statement

General Information

Real Estate Escrow Person (REEP) – REEP is anyone involved in closing the real estate transaction, which includes any attorney, escrow company, title company, Qualified Intermediary (QI), or anyone else who receives and disburses payment for the sale or transfer of real property.

Installment Sales – The REEP reports the sale or transfer as an installment sale if there will be at least one payment made after the tax year of the sale. The withholding is 3¹/₃% (.0333) of the down payment during escrow.

Buyers/Transferees are required to withhold on the principal portion of all payments made following the close of the real estate transaction, unless an approval letter for elect-out method is received as described below.

Elect Out of Subsequent Installment Payment Withholding

– Sellers or transferors can elect to not report the sale on the installment method. If the seller/transferor chooses not to use the installment method, the seller/transferor generally reports the entire gain in the year of sale, even though the seller/transferor does not receive all the sale proceeds in that year. To do this, the seller/transferor must:

- File a California income tax return and report the entire gain on Schedule D, California Capital Gain or Loss Adjustment, or D-1, Sale of Business Property.
- Submit to the Franchise Tax Board (FTB) a written request to release the buyer/transferee from withholding on subsequent installment payments after filing the income tax return and reporting the entire gain.

The FTB will approve or deny the request within 30 days from when received. The buyer must continue to withhold until the FTB approves the request.

For more information, get FTB 4010, Withholding on California Real Estate Installment Sales, or go to ftb.ca.gov and search for **installment sales**.

Registered Domestic Partners (RDP) – For purposes of California income tax, references to a spouse, husband, or wife also refer to a California RDP, unless otherwise specified. When we use the initials RDP they refer to both a California registered domestic “partner” and a California registered domestic “partnership,” as applicable. For more information on RDPs, get FTB Pub. 737, Tax Information for Registered Domestic Partners.

Penalty Increase – Beginning on or after January 1, 2016, the penalties related to failure to file information returns increased. See General Information G, Interest and Penalties, or get FTB 1150, Withhold at Source Penalty Information, for more information.

A Purpose

Use Form 593, Real Estate Withholding Tax Statement, to report real estate withholding on sales closing in 2019, installment payments made in 2019, or exchanges that were completed or failed in 2019.

Use a separate Form 593 to report the amount withheld from each seller/transferor. If the sellers/transferors are married or RDPs and they plan to file a joint return, include both spouses/RDPs on the same Form 593.

If the sellers/transferors are married or RDPs and they are entered as one seller/transferor, we treat them as having equal ownership interest. If the ownership interest is not equal, file separate Forms 593 for each seller/transferor to represent the correct ownership interest percentage. If the information submitted is incorrect, an amended Form 593 must be submitted. See General Information F, Amending Form 593, for more information.

Use Form 593-V, Payment Voucher for Real Estate Withholding, to remit real estate withholding payments to the FTB. Submit Form 593-V when Form(s) 593 is submitted electronically or by mail. The REEP must use Form 593-V when remitting a payment by check or money order.

B Helpful Hints

Taxable Year – The taxable year at the top of Form 593 must match the taxable year on line 2. See instructions for line 2. We cannot process a Form 593 with an incorrect taxable year. To avoid processing delays, go to ftb.ca.gov/forms to get the correct taxable year Form 593.

Identification Numbers – Check to see that the REEP and seller's/transferor's identification numbers are correct and listed in the same order as the names. If both a husband/RDP and wife/RDP are listed, make sure both social security numbers (SSNs) or individual taxpayer identification numbers (ITINs) are listed in the same order as their names.

Trusts and Trustees – It is important to report the correct name and identification number when title is held in the name of a trust. If the seller/transferor is a trust, see the Specific Instructions for Part II, **Seller/Transferor Information**.

Preparer's Name and Title/Escrow Business Name – Provide the preparer's name and title/escrow's business name and phone number.

C Who Must File

Anyone (individual, business entity, trust, estate, or REEP) who withheld on the sale/transfer of California real property must file Form 593 to report the amount withheld. If this is an installment sale payment after escrow closed, then the buyer/transferee is the responsible person.

D When and Where to File

You will need the original completed Form 593 and two copies:

- File the original Form 593, along with completed Form 593-V and the withholding payment. Mail to the address shown in this section.
- Provide one copy to the seller/transferor within 20 days following the end of the month in which the transaction closed.
- Retain one copy for the REEP's records for a minimum of five years. Provide to the FTB upon request.

For installment sales, submit the following at the close of the real estate transaction:

- Form 593.
- Form 593-I, Real Estate Withholding Installment Sale Acknowledgement.
- Form 593-V with the amount withheld on the down payment.
- A copy of the promissory note.

When making installment payments following the close of the real estate transaction, withhold either 3¹/₃% (.0333) of the total sales price, or the Optional Gain on Sale withholding percentage on the principle portion of each installment payment, as specified by the seller/transferor on Form 593.

File only a completed **current year** Form 593 and Form 593-V with each withholding payment.

For example, if you withhold on a payment to a seller on June 1, 2019, then use a 2019 Form 593 and Form 593-V.

Form 593-I, a copy of the promissory note, and the seller's/transferor's signature are not required.

Mail to:

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

E Electronic Filing Requirements

Form 593 information may be filed with the FTB electronically, using FTB's Secure Web Internet File Transfer (SWIFT). However, the REEP must provide the seller/transferor with a copy of Form 593.

For installment sales, the REEP must also mail a completed Form 593-I and a copy of the promissory note to the FTB with the down payment only.

For electronic filing, submit your file using the SWIFT process as outlined in FTB Pub. 923, Secure Web Internet File Transfer (SWIFT) Guide for Resident, Nonresident, and Real Estate Withholding.

For the required file format and record layout for electronic filing, get FTB Pub. 1023R, Real Estate Withholding Electronic Submission Requirements. If you are the preparer for more than one REEP, provide a separate electronic file for each REEP. For electronic filing of Form 593, mail your payment along with Form 593-V.

Electronic signatures shall be considered as valid as the originals.

F Amending Form 593

If an error is discovered after the withholding agent files Form 593, then the REEP files an amended Form 593 to correct the error. An amended Form 593 can only be filed by the REEP. If a seller/transferor notices an error, then they contact the REEP.

Important: For assistance to correct error(s), prepare, and file amended forms, call Withholding Services and Compliance at 888.792.4900 or 916.845.4900.

If you previously filed with a correct taxable year form, but reported incorrect information, then follow the steps below:

1. Complete a new Form 593 with the same taxable year form as originally filed.
 - Check the "Amended" box at the top left corner of the form.
 - Enter all the correct withholding and seller/transferor information. Do not enter negative numbers.
 - Attach a letter to the **back** of the form to explain your reasons for the corrections.
 - Keep the original Form 593 for your records.
2. Mail the amended form and attached letter to the address shown under General Information D, When and Where to File.

To amend a Form 593 previously filed using an incorrect year form, call us for assistance.

Whenever an amended Form 593 is filed with the FTB, provide a copy to the seller/transferor.

Do not file an amended Form 593 to cancel the withholding amount for a Form 593-C, Real Estate Withholding Certificate, filed after the close of the real estate transaction. After

escrow has closed, amounts withheld may be recovered only by claiming the withholding as a credit on the appropriate year's tax return. Get Form 593-C for more information.

G Interest and Penalties

Interest will be assessed on late withholding payments and is computed from the due date to the date paid. If the REEP does not notify the buyer/transferee, other than a QI, of the withholding requirements in writing, the penalty is the greater of \$500 or 10% of the required withholding.

If after notification, the buyer/transferee, unless the buyer is a QI in a deferred exchange, does not withhold, the penalty is the greater of \$500 or 10% of the required withholding.

If the REEP does not furnish complete and correct copies of Form 593 to the **seller/transferor** by the due date, the penalty is \$100 per Form 593. If the failure is due to an intentional disregard of the requirement, the penalty is the greater of \$250 or 10% of the required withholding.

We assess a penalty for failure to file complete, correct, and timely information returns. The penalty is calculated per seller:

- \$30 if filed 1 to 30 days after the due date.
- \$60 if filed 31 days to 6 months after the due date.
- \$100 if filed more than 6 months after the due date.

(R&TC Section 19183)

If the failure is due to an intentional disregard of the requirement, the penalty is the greater of \$250 or 10% of the required withholding.

For more information, get FTB 1150.

Penalties referenced in this section will be assessed unless it is shown that the failure to notify, withhold, or timely furnish returns was due to reasonable cause.

Specific Instructions

Instructions for Seller/Transferor

This withholding of tax does not relieve you of the requirement to file a California income tax return and report the sale.

You may be assessed penalties if:

- You do not file a tax return.
- You file your tax return late.
- The amount of withholding does not satisfy your tax liability.

How to Claim the Withholding

To claim the withholding credit you must file a California tax return. Report the sale or transfer as required. Enter the amount from Form 593, line 5, Amount Withheld from this Seller/Transferor, on your California tax return as withholding from Form(s) 592-B, Resident and Nonresident Withholding Tax Statement, or 593. If your filing status changed after escrow

closed and before filing your California tax return, please call Withholding Services and Compliance at 888.792.4900 or 916.845.4900 prior to filing your tax return for instructions on how to claim your withholding credit. Claim your withholding credit on one of the following:

- Form 540, California Resident Income Tax Return
- Form 540NR Long, California Nonresident or Part-Year Resident Income Tax Return
- Form 541, California Fiduciary Income Tax Return
- Form 100, California Corporation Franchise or Income Tax Return
- Form 100S, California S Corporation Franchise or Income Tax Return
- Form 100W, California Corporation Franchise or Income Tax Return – Water's-Edge Filers
- Form 109, California Exempt Organization Business Income Tax Return
- Form 565, Partnership Return of Income
- Form 568, Limited Liability Company Return of Income

Attach one copy of Form(s) 593 to the lower front of your California tax return. Make a copy for your records.

If withholding was done for a failed exchange or on boot in the year following the year the property was sold, the withholding is shown as a credit for the taxable year the withholding occurred since you qualify for installment sale reporting. If you elect to report the gain in the year the property was sold, instead of in the year you received the payment, contact Withholding Services and Compliance at 888.792.4900 or 916.845.4900 prior to filing your California tax return for instructions to have the credit transferred to the prior year.

Instructions for Withholding Agent

Taxable Year – The taxable year at the top of Form 593 must match the taxable year on line 2. See instructions for line 2. We cannot process a Form 593 with an incorrect taxable year. To avoid processing delays, go to ftb.ca.gov/forms to get the correct taxable year Form 593.

Private Mail Box (PMB) – Include the PMB in the address field. Write "PMB" first, then the box number. Example: 111 Main Street PMB 123.

Foreign Address – Follow the country's practice for entering the city, county, province, state, country, and postal code, as applicable, in the appropriate boxes. **Do not** abbreviate the country name.

Part I – Withholding Agent Information

Enter the business or individual name, identification number, and address of the party responsible for closing the transaction or any other party who receives and disburses payment and remits withholding to the FTB for the sale of real property.

Enter a business name or individual name, **not both**. If the party is an escrow company, title company, exchange company, corporation, partnership, limited liability company, non-grantor trust, or estate, enter the business name and business identification number (FEIN, CA Corp no., CA SOS file no.). If the business name is not applicable, include the individual's or grantor's first name, initial, last name, and identification number (SSN or ITIN).

Part II – Seller/Transferor Information

Enter only business or individual name, **not both**, mailing address, and identification number of the seller/transferor. If the seller/transferor has applied for an identification number, but it has not been received, enter, "Applied For" in the space for the seller's/transferor's identification number and attach a copy of the federal application behind Form 593. After the identification number is received, call Withholding Services and Compliance at 888.792.4900 or 916.845.4900.

If the seller/transferor is an/a:

- **Individual**, enter the SSN or ITIN. If the sellers/transferors are husband/RDP and wife/RDP and plan to file a joint return, enter the name and SSN or ITIN for each spouse/RDP. Otherwise, do not enter information for more than one seller/transferor. Instead, complete a separate Form 593 for each seller/transferor.
- **Business**, enter the business name in the business name field along with the federal employer identification number (FEIN), California Corporation number (CA Corp no.), or California Secretary of State (CA SOS) file number.
- **Grantor trust**, enter the individual name and SSN or ITIN of the grantor that is required to file a tax return and report the income. **Do not** enter the name of the grantor trust or trustee information. The grantor trust is disregarded for tax purposes and the individual seller/transferor must report the sale and claim the withholding on the grantor's individual tax return.
- **Non-grantor trust**, enter the name of the non-grantor trust and the non-grantor trust's FEIN. If the non-grantor trust has not applied for a FEIN, leave the identification number blank. **Do not enter the trustee information.** When the non-grantor trust receives their FEIN, contact Withholding Services and Compliance at 888.792.4900 or 916.845.4900.
- **Single member limited liability company**, enter the name and identification number of the single member.

For all other **non-individual** sellers/transferors, enter the FEIN, CA Corp number, or CA SOS file number.

Enter the address (or parcel number and county) of the California real property transferred.

Conventional Sale/Transfer and Installment Sale:

Enter the address (parcel number and county) of the transferred property.

Exchange: Enter the address of the relinquished property.

Part III – Escrow or Exchange Information

Line 1 – Escrow or Exchange Number

Enter the escrow or exchange number for the property transferred. Do not include dashes and/or spaces in the escrow or exchange number.

Line 2 – Date of Transfer, Exchange Completion, Failed Exchange, or Installment Payment

If the date is left blank, we will use a default date of January 1 of the tax year in which the Form 593 is received. Penalties may apply for failure to file a complete, correct, and timely information return. For additional information, see General Information G, Interest and Penalties.

Conventional Sale/Transfer: Enter the date escrow closed.

Exchange: For completed exchanges, enter the date that the boot (cash or cash equivalent) was distributed to the exchanger. For failed exchanges, enter the date when it was determined that the exchange would not meet the deferred exchange requirements and any cash was distributed to the seller/transferor.

When withholding on boot or a failed exchange, be sure to use the forms for the year that you entered on line 2 (rather than the year of the sale), since the seller/transferor will be able to use installment sale reporting for the gain.

Installment Sale: For withholding on the down payment, enter the date escrow closed. For withholding on the principal portion of each installment payment, enter the due date of the installment payment.

Line 3 – Type of Transaction

Check one box that represents the type of real estate transaction for which the withholding is being calculated.

Conventional Sale/Transfer: Check this box if the conventional sale/transfer represents the close of the real estate transaction. This sale/transfer does not contain any conditions such as an installment sale, boot, or failed exchange.

Installment Sale Payment: Check this box to report the sale or transfer as an installment sale if there will be at least one payment made after the tax year of the sale or transfer, or if you are withholding on the down payment or principal portion of any installment payment. Attach a copy of the promissory note with the down payment only. At the close of the real estate transaction, if no down payment is received, submit Form 593 with Part III, Line 3, Box B, Installment Sale Payment checked and \$0 reported on Line 5, Amount Withheld from this Seller/Transferor.

Boot: Check this box if the seller/transferor intends to complete a deferred exchange, but receives boot (cash or cash equivalent) out of escrow.

Failed Exchange: Check this box for any failed exchange, including if a failed deferred exchange had boot withheld upon in the original relinquished property.

Line 4 – Withholding Calculation

Check one box that represents the method to be used to calculate the withholding amount on line 5. Either the Total Sales Price Method (3¹/₃% (.0333) of the total sales price, boot, or installment sale payment) or the Optional Gain on Sale Election based on the applicable tax rate as applied to the gain on sale. Check only one box, A-G. Trusts (Grantor and Non-grantor) check box 4B. The trust's highest tax rate is 12.3%.

Line 5 – Amount Withheld from this Seller/Transferor

Enter the amount withheld from this transaction or installment payment based upon the appropriate calculation for either the Total Sales Price Method or the Optional Gain on Sale Election, below.

Withholding Calculation Using Total Sales Price Method

Conventional Sale/Transfer:

- Total Sales Price \$ _____
- Enter the seller's/transferor's ownership percentage % _____
- Amount Subject to Withholding. Multiply line a by line b and enter the result \$ _____
- Withholding Amount. Multiply line c by 3¹/₃% (.0333) and enter the result here and on Form 593, line 5 \$ _____

Installment Sale:

- Amount Subject to Withholding. If you are withholding on the down payment in escrow, enter the required amount of the down payment. If you are withholding on installment payments received after the close of the real estate transaction or the final payoff in escrow, enter the principal portion of the payment \$ _____
- Withholding Amount. Multiply line a by 3¹/₃% (.0333) and enter the result here and on Form 593, line 5 \$ _____

Exchange:

- a. Amount Subject to Withholding. For completed deferred exchanges, enter the amount of boot (cash or cash equivalent) received by the seller/transferor \$ _____
- b. Withholding Amount. Multiply line a by 3 1/3% (.0333) and enter the result here and on Form 593, line 5 \$ _____

Failed Exchange:

- a. Total Sales Price. If a deferred exchange is not completed or does not meet the deferred requirements, enter the total sales price \$ _____
- b. Ownership Percentage. If multiple sellers/transfers attempted to exchange this property, enter this seller's/transferor's ownership percentage. Otherwise, enter 100.00% %
- c. Amount Subject to Withholding. Multiply line a by line b \$ _____
- d. Withholding Amount. Multiply line c by 3 1/3% (.0333) and enter the result here and on Form 593, line 5 \$ _____

Withholding Calculation Using Optional Gain on Sale Election

Conventional Sale/Transfer: Enter the amount from Form 593-E, Real Estate Withholding – Computation of Estimated Gain or Loss, line 17 on Form 593, line 5.

Trusts (Grantor and Non-grantor): Check box 4B on Part III of Form 593 and use the trust's highest tax rate, which corresponds to the individual tax rate.

Installment Sale: The optional gain on sale withholding amount for an installment sale is calculated in two steps.

Step 1: Calculate the installment sale withholding percent that will be applied to all installment payments, including any deposits, down payments, or amounts paid for the seller/transferor received during escrow:

- a. Estimated Gain On Sale. Gain on sale from Form 593-E, line 16 \$ _____
- b. Total Sale Price. Selling price from Form 593-E, line 1 \$ _____
- c. Installment sale withholding percent, divide line a by line b %

Step 2: Calculate the optional gain on sale withholding amount:

- a. Installment payment or down payment \$ _____
- b. Multiply line a by installment sale withholding percent calculated in Step 1 \$ _____
- c. Withholding amount. Multiply line b by the applicable tax rate* and enter the result here and on Form 593, line 5 \$ _____

When withholding on the principal portion of each installment payment using the Optional Gain on Sale Election, the seller/transferor must provide the buyer/transferee with the Installment Sale Withholding percent to include on Form 593-I.

Send the original Form 593, the required withholding payment on the down payment, and a copy of the promissory note to the FTB. **Do not** attach a copy of the promissory note with withholding on installment payments sent in after the close of the real estate transaction.

Exchange:

- a. Boot Amount. Not to exceed recognized gain \$ _____
- b. Withholding Amount. Multiply line a by the applicable tax rate* and enter the result here and on Form 593, line 5 \$ _____

Failed Exchange:

- a. Gain on Sale from Form 593-E, line 16 \$ _____
- b. Ownership Percentage. If multiple sellers/transfers attempted to exchange this property, enter this seller's/transferor's ownership percentage. Otherwise, enter 100.00% %
- c. Amount Subject to Withholding. Multiply line a by line b \$ _____
- d. Withholding Amount. Multiply line c by the applicable tax rate* and enter the result here and on Form 593, line 5 \$ _____

If a failed deferred exchange had boot withheld upon in the original relinquished property, reduce the withholding amount by the amount previously remitted to the FTB.

***Tax Rates**

Individual and Trusts (Grantor and Non-grantor)	12.3%
Non-California Partnership	12.3%
Corporation	8.84%
Bank and Financial Corporation	10.84%
S Corporation	13.8%
Financial S Corporation	15.8%

Seller/Transferor Signature

A signature is only required by the seller/transferor if the Optional Gain On Sale Election method is used. If the sellers/transfers are married or RDPs and they plan to file a joint return, then your signature and your spouse's/RDP's signature are both required.

Electronic signatures shall be considered as valid as the originals.

Preparer's Name and Title/Escrow Business Name

Provide the preparer's name and title/escrow's business name and phone number.

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Visit our website:

ftb.ca.gov

2019 Instructions for Form 593-C

Real Estate Withholding Certificate

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 2015**, and to the California Revenue and Taxation Code (R&TC).

General Information

In general, for taxable years beginning on or after January 1, 2015, California law conforms to the Internal Revenue Code (IRC) as of January 1, 2015. However, there are continuing differences between California and federal law. When California conforms to federal tax law changes, we do not always adopt all of the changes made at the federal level. For more information, go to ftb.ca.gov and search for **conformity**. Additional information can be found in FTB Pub. 1001, Supplemental Guidelines to California Adjustments, the instructions for California Schedule CA (540 or 540NR), and the Business Entity tax booklets.

Like-Kind Exchanges – For taxable years beginning on or after January 1, 2014, California requires taxpayers who exchange property located in California for like-kind property located outside of California, and meet all of the requirements of the IRC Section 1031, to file an annual information return with the Franchise Tax Board (FTB). For more information, get form FTB 3840, California Like-Kind Exchanges, or go to ftb.ca.gov and search for **like kind**.

A Purpose

Use Form 593-C, Real Estate Withholding Certificate, to certify that you qualify for a full or partial withholding exemption.

Qualifying for an exemption from withholding or being withheld upon does not relieve you of your obligation to file a California income tax return and pay any tax due on the sale of California real estate.

You may be assessed penalties if:

- You do not file a tax return.
- You file your tax return late.
- The amount of withholding does not satisfy your tax liability.

The seller/transferor must submit this form before the close of the real estate transaction to prevent withholding on the transaction. After the real estate transaction has closed, amounts withheld may be recovered only by claiming the withholding as a credit on the appropriate year's tax return.

B How to Claim the Withholding

To claim the withholding credit, you must file a California tax return. Report the sale or transfer as required, and enter the amount from line 5, Amount Withheld from this Seller/Transferor, of Form 593, Real Estate Withholding Tax Statement, on your California tax returns as withholding from Form(s) 592-B or 593. If your filing status changed after escrow closed and before filing your California tax return, call the Withholding Services and Compliance phone service at 888.792.4900 or 916.845.4900 for instructions on how to claim your withholding credit. Claim your withholding credit on one of the following:

- Form 540, California Resident Income Tax Return
- Form 540NR Long, California Nonresident or Part-Year Resident Income Tax Return
- Form 541, California Fiduciary Income Tax Return
- Form 100, California Corporation Franchise or Income Tax Return
- Form 100S, California S Corporation Franchise or Income Tax Return
- Form 100W, California Corporation Franchise or Income Tax Return – Water's-Edge Filers
- Form 109, California Exempt Organization Business Income Tax Return
- Form 565, Partnership Return of Income
- Form 568, Limited Liability Company Return of Income

Specific Instructions

Private Mail Box (PMB) – Include the PMB in the address field. Write "PMB" first, then the box number. Example: 111 Main Street PMB 123.

Foreign Address – Follow the country's practice for entering the city, county, province, state, country, and postal code, as applicable, in the appropriate boxes. **Do not** abbreviate the country name.

Part I – Seller/Transferor Information

Enter the name, tax identification number, and address of the seller/transferor. If the seller/transferor does not provide a tax identification number, then Form 593-C is void, and withholding is required.

Note: If you choose to provide a copy of Form 593-C to the buyer/transferee, delete the seller's/transferor's tax identification number on the buyer's/transferee's copy.

If the seller/transferor is an **individual**, enter the social security number (SSN) or individual taxpayer identification number (ITIN). If the sellers/transferors are spouses/registered domestic partners (RDPs) and plan to file a joint return, enter the name and SSN or ITIN for each spouse/RDP. Otherwise, **do not** enter information for more than one seller/transferor. Instead, complete a separate Form 593-C for each seller/transferor.

If you do not have an SSN because you are a nonresident or a resident alien for federal tax purposes, and the Internal Revenue Service (IRS) issued you an ITIN, enter the ITIN in the space provided for the SSN.

An ITIN is a tax processing number issued by the IRS to individuals who have a federal tax filing requirement and do not qualify for an SSN. It is a nine-digit number that always starts with the number 9.

If the seller/transferor is a business, enter the business name in the name field along with the federal employer identification number (FEIN), CA Corporation number (CA Corp no.), or CA Secretary of State (CA SOS) file number.

If the seller/transferor is a **grantor trust**, enter the grantor's individual name and SSN. For tax purposes, the grantor trust is disregarded and the individual seller/transferor must report the sale and claim the withholding on their individual tax return. If the trust was a grantor trust that became irrevocable upon the grantor's death, enter the name of the trust and the trust's FEIN. **Do not enter the decedent's or trustee's name or SSN.**

If the seller/transferor is a **non-grantor trust**, enter the name of the trust and the trust's FEIN. **Do not enter trustee information.**

If the seller/transferor is a **single member limited liability company (SMLLC)**, enter the name and tax identification number of the single member.

For all other non-individual sellers/transferors, enter the FEIN, CA Corp no., or CA SOS file number.

Ownership Percentage

Enter your ownership percentage rounded to two decimal places (e.g. 66.67%). If you are on the title for incidental purposes and you have no financial ownership, enter 0.00 and skip to Seller/Transferor Signature. You will not be withheld upon.

Examples of sellers/transferors who are on title for incidental purposes are:

- Co-signers on title (e.g., parents co-signed to help their child qualify for the loan).
- Family members on title to receive property upon the owner's death.

Property Address

Enter the address of the CA real property transferred. If no street address, enter the parcel number and county.

Part II – Certifications Which Fully Exempt the Sale From Withholding

Line 1 through Line 9

Check all boxes that apply to the property being sold or transferred.

Line 1 – Principal Residence

To qualify as your principal residence under IRC Section 121, you (or the decedent) generally must have owned and lived in the property as your main home for at least two years during the five-year period ending on the date of sale. Military and Foreign Service, get FTB Pub. 1032, Tax Information for Military Personnel.

You can have only one main home at a time. If you have two homes and live in both of them, the main home is the one you lived in most of the time.

There are exceptions to the two-year rule if the primary reason you are selling the home is for a change in the place of employment, health, or unforeseen circumstances such as death, divorce or termination of registered domestic partnership, or loss of job, etc. For more information about what qualifies as your principal residence or exceptions to the two-year rule, get federal Publication 523, Selling Your Home. To get federal publications, go to irs.gov, or call 800.829.3676.

If only a portion of the property qualifies as your principal residence, a second Form 593-C will need to be completed to certify an exemption on the portion not used as a principal residence.

The allocation method should be the same as the seller/transferor used to determine depreciation.

Line 2 – Property last used as your principal residence

If the property was last used as the seller's/transferor's, or decedent's principal residence within the meaning of IRC Section 121 without regard to the two-year time period, no withholding is required. If the last use of the property was as a vacation home, second home, or rental, you do not qualify for the exemption. You must have lived in the property as your main home.

If you have two homes and live in both of them, the main home is the one you lived in most of the time.

Line 3 – Loss or Zero Gain

You have a loss or zero gain for California income tax purposes when the amount realized is less than or equal to your adjusted basis. You must complete Form 593-E, Real Estate Withholding – Computation of Estimated Gain or Loss, and have a loss or zero gain on line 16 to certify that the transaction is fully exempt from withholding.

You may not certify that you have a net loss or zero gain just because you do not receive any proceeds from the sale or because you feel you are selling the property for less than what it is worth.

Line 4 – Involuntary Conversion

The property is being involuntarily or compulsorily converted when both of the following apply:

- The California real property is transferred because it was (or threatened to be) seized, destroyed, or condemned within the meaning of IRC Section 1033.
- The seller/transferor intends to acquire property that is similar or related in service or use in order to be eligible for nonrecognition of gain for California income tax purposes.

Get federal Publication 544, Sales and Other Dispositions of Assets, for more information about involuntary conversions.

Line 5 – Non-recognition Under IRC Section 351 or 721

The transfer must qualify for nonrecognition treatment under IRC Section 351 (transfer to a corporation controlled by transferor) or IRC Section 721 (contribution to a partnership in exchange for a partnership interest).

Line 6 – Corporation

A corporation has a permanent place of business in California when it is organized and existing under the laws of California or it has qualified through the CA SOS to transact intrastate business. A corporation not qualified to transact intrastate business (such as a corporation engaged exclusively in interstate commerce) will be considered as having a permanent place of business in California only if it maintains an office in California that is permanently staffed by its employees after the sale.

S corporations must withhold on nonresident S corporation shareholders. Get FTB Pub. 1017, Resident and Nonresident Withholding Guidelines, for more information.

Line 7 – Partnership or Limited Liability Company (LLC)

Partnerships and LLCs are required to withhold on nonresident partners and members.

Withholding is not required if the title to the property transferred is recorded in the name of a California partnership or it is qualified to do business in California.

Withholding is not required if the title to the property transferred is in the name of an LLC, and the LLC meets both of the following:

- It is classified as a partnership for federal and California income tax purposes.
- It is not an SMLLC that is disregarded for federal and California income tax purposes.

If the LLC meets these conditions, the LLC must still withhold on nonresident members. Get FTB Pub. 1017 for more information.

If the SMLLC is classified as a corporation for federal and California income tax purposes, then the seller/transferor is considered a corporation for withholding purposes. Refer to Line 6.

If the LLC is an SMLLC that is disregarded for federal and California income tax purposes, then that single member is considered the seller/transferor and title to the property is considered to be in the name of the single member for withholding purposes.

When completing Form 593-C as the single member of a disregarded LLC, write on the bottom of the form that the information on the form is for the single member of the LLC, so the Real Estate Escrow Person (REEP) will understand why it is different from the recorded title holder.

If the single member is:	Complete Form 593-C using:
An individual	The individual's information
A corporation	The corporation's information
A partnership	The partnership's information
An LLC	The single member's information

Line 8 – Tax-Exempt Entity

Withholding is not required if the seller/transferor is tax-exempt under either California or federal law (e.g., religious, charitable, educational, not for profit organizations, etc.).

Line 9 – Insurance Company, Individual Retirement Account, Qualified Pension or Profit-Sharing Plan, or Charitable Remainder Trust

Withholding is not required when the seller/transferor is an insurance company, individual retirement account, qualified pension or profit-sharing plan, or a charitable remainder trust.

Part III – Certifications That May Partially or Fully Exempt the Sale From Withholding

Complete Part III only if you did not meet any of the exemptions in Part II.

Line 10 – Simultaneous Exchange

If the California real property is part of a simultaneous like-kind exchange within the meaning of IRC Section 1031, the transfer is exempt from withholding. However, if the seller/transferor receives money or other property (in addition to property that is a part of the like-kind exchange) exceeding \$1,500 from the sale, the REEP must withhold.

Line 11 – Deferred Exchange

If the California real property is part of a deferred like-kind exchange within the meaning of IRC Section 1031, the sale is exempt from withholding at the time of the initial transfer. However, if the seller/transferor receives money or other property (in addition to property that is a part of the like-kind exchange) exceeding \$1,500 from the sale, the qualified intermediary must withhold.

If the exchange does not take place or if the exchange does not qualify for nonrecognition treatment, the intermediary or accommodator must withhold $3\frac{1}{3}\%$ (.0333) of the total sales price.

Line 12 – Installment Sale

The REEP reports the sale or transfer as an installment sale if there will be at least one payment made after the tax year of the sale. The withholding is $3\frac{1}{3}\%$ (.0333) of the down payment during escrow. Buyers/Transferees are required to withhold on the principal portion of all payments made following the close of the real estate transaction unless an approval letter for the elect-out method is received.

When the withholding amount on the down payment is sent to the FTB, the FTB must also receive a completed Form 593-I, Real Estate Withholding Installment Sale Acknowledgement, a completed Form 593, and a copy of the promissory note.

Seller/Transferor Signature

You must complete and sign this form and return it to your REEP by the close of the real estate transaction for it to be valid. Otherwise, the REEP must withhold the full $3\frac{1}{3}\%$ (.0333) of the total sales price or the optional gain on sale withholding amount from line 5 of Form 593 that is certified by the seller/transferor, only for the optional gain on sale election.

Penalty – Any seller/transferor who, for the purpose of avoiding the withholding requirements, knowingly executes a false certificate is liable for a penalty of \$1,000 or 20% of the required withholding amount, whichever is greater.

2019 Instructions for Form 593-E

Real Estate Withholding – Computation of Estimated Gain or Loss

References in these instructions are to the Internal Revenue Code (IRC) as of January 1, 2015, and to the California Revenue and Taxation Code (R&TC).

General Information

In general, for taxable years beginning on or after January 1, 2015, California law conforms to the Internal Revenue Code (IRC) as of January 1, 2015. However, there are continuing differences between California and federal law. When California conforms to federal tax law changes, we do not always adopt all of the changes made at the federal level. For more information, go to ftb.ca.gov and search for **conformity**. Additional information can be found in FTB Pub. 1001, Supplemental Guidelines to California Adjustments, the instructions for California Schedule CA (540 or 540NR), and the Business Entity tax booklets.

Purpose

Use Form 593-E, Real Estate Withholding – Computation of Estimated Gain or Loss, to estimate the amount of the seller's/transferor's loss or zero gain for withholding purposes and to calculate an optional gain on sale withholding amount. The seller/transferor completes this form for sales closing in 2019.

Optional Gain on Sale Withholding Amount is calculated when the optional gain on sale election has been made by the seller/transferor. The withholding amount is calculated by multiplying the seller's/transferor's applicable tax rate by the estimated gain determined on Form 593-E.

You may use estimates when you complete this form, but the estimates must not result in the calculation of a loss when you actually have a gain. Any seller/transferor who, for the purpose of avoiding the withholding requirements, knowingly executes a false certificate is liable for a penalty of \$1,000 or 20% of the required withholding amount, whichever is greater.

This form is signed under penalty of perjury. The seller/transferor must keep this form for five years and provide it to the Franchise Tax Board (FTB) upon request. However, the seller/transferor is not required to provide this form to the REEP or buyer/transferee.

Specific Instructions

Private Mail Box (PMB) – Include the PMB in the address field. Write "PMB" first, then the box number. Example: 111 Main Street PMB 123.

Foreign Address – Follow the country's practice for entering the city, county, province, state, country, and postal code, as applicable, in the appropriate boxes. **Do not** abbreviate the country name.

Part I – Seller/Transferor Information

Enter the name, tax identification number, and address of the seller/transferor.

If the seller/transferor is an **individual**, enter the social security number (SSN) or individual taxpayer identification number (ITIN). If the sellers/transferors are spouses/registered domestic partners (RDPs) and plan to file a joint return, enter the name and SSN or ITIN for each spouse/RDP. Otherwise, **do not** enter information for more than one seller/transferor.

Part II – Computation

Line 1 – Selling Price

The selling price is the total amount you will receive for your property. It includes money, as well as, all notes, mortgages, or other debts assumed by the buyer/transferee as part of the sale, plus the fair market value of any other property or any services you receive.

Line 2 – Selling Expenses

Selling expenses include commissions, advertising fees, legal fees, and loan charges that will be paid by the seller/transferor, such as loan placement fees or points.

Line 3 – Amount Realized

The amount realized is the selling price minus the selling expenses.

Line 4 – Purchase Price

If you acquired this property by purchase, enter your purchase price. Your purchase price includes the down payment and any debt you incurred; such as a first or second mortgage or promissory notes you gave the seller/transferor in payment for the property. If you acquired the property by gift, inheritance, exchange, or any way other than purchase, see How to Figure Your Basis.

Line 5 – Seller/Transferor-Paid Points

Points are charges paid to obtain a loan. They may also be called loan origination fees, maximum loan charges, loan discount, or discount points. If the seller/transferor paid points for you when you acquired the property, enter the amount paid by the seller/transferor on your behalf on line 5, unless you already subtracted this item to arrive at the amount for line 4.

Line 6 – Depreciation

Enter the amount of depreciation you deducted, or could have deducted, on your California income tax return for business or investment use of the property under the method of depreciation you chose. If you took less depreciation on your tax return than you could have under the method chosen, you must enter the amount you could have taken under that method. If you did not take a depreciation deduction, enter the full amount of depreciation you could have taken. Get federal Publication 946, How to Depreciate Property, for more information.

If you do not know how much depreciation you deducted or were allowed, you can make an estimate of the amount of depreciation (for withholding purposes only). To estimate the depreciation, divide the purchase price plus the cost of additions and improvements by 27.5 and multiply that by the number of years you used the property for business use (up to 27.5 years). Do not include the cost of land in the purchase price.

Example: Mary bought a house 20 years ago for \$150,000 and has used it as a rental property for the last 18 years. Prior to renting the house, she added a pool which cost her \$25,000. Mary's depreciation is estimated as follows:

Cost	\$150,000
Plus additions	25,000
Total	175,000
Divided by 27.5 =	6,364
Multiply by 18 years =	\$114,552

Mary's estimated depreciation to enter on line 6 is \$114,552.

Line 7 – Other Decreases to Basis

Include any other amounts that decrease your basis, such as:

- Casualty or theft loss deductions and insurance reimbursements.
- Energy credits claimed for the cost of energy improvements added to your basis.
- Payments received for granting an easement or right-of-way.

Line 10 – Additions and Improvements

These add to the value of your property, prolong its useful life, or adapt it to new uses. Examples include room additions, landscaping, new roof, insulation, new furnace or air conditioner, remodeling, restoration project, etc. The cost of repairs are not included. **Do not** include any additions or improvements on line 10 that were included on line 4.

Line 11 – Other Increases to Basis

Include the amounts paid for any other items that increase the basis of the property, such as:

- Settlement fees and closing costs you incurred when you bought the property.
- The amount you paid for special assessments for items such as water connections, paving roads, and building ditches.
- The cost of restoring damaged property from a casualty loss, or cost of extending utility service lines to the property.

Line 14 – Passive Activity Losses

You may only use suspended passive activity losses that directly relate to the property sold. Other losses such as net operating losses, capital loss carry-forwards, stock losses, and passive activity losses from other properties cannot be used.

Line 16 – Estimated Gain or Loss on Sale

If you have a zero gain or loss, check the box on line 3 of Form 593-C, Real Estate Withholding Certificate. Complete and sign Form 593-C and give it to your REEP. You will not be subject to withholding on this sale. **Note:** A loss or zero gain can only be claimed on Form 593-C if the taxpayer has a tax identification number. Keep Form 593-E for five years to document your calculations and provide to the FTB upon request.

If you have a gain, this is your estimated amount of gain on the sale of your California property. Go to line 17.

Line 17 – Optional Gain on Sale Withholding Amount

Multiply the amount on line 16 by the tax rate for the filing type selected and enter the amount on line 17. Compare this amount to the withholding amount on the total sales price shown on line 18. If you elect the optional gain on sale withholding amount on line 17, check the appropriate box on line 4 (Boxes B-G) for the Optional Gain on Sale Election, on Form 593, Real Estate Withholding Tax Statement, then transfer the amount on line 17 to Form 593, line 5.

Trusts (Grantor and Non-grantor): Check box 4B on Part III of Form 593 and use the trust's highest tax rate of 12.3%.

Sign Form 593 to certify the election. Keep Form 593-E for five years to document your calculations and provide to the FTB upon request.

Line 18 – Total Sales Price Withholding Amount

Multiply the selling price on line 1 by 3¹/₃% (.0333) and enter the amount on line 18. If you select the standard withholding amount on line 18, check Box A on line 4 of Form 593, and transfer the amount on line 18 to Form 593, line 5.

How to Figure Your Basis

The cost or purchase price of property is usually its basis for figuring gain or loss from its sale or other disposition. However, if you acquired the property by gift, inheritance, exchange, or in some way other than purchase, you must use a basis other than its cost. The following instructions only reflect the general rules. Exceptions may apply. Get federal Publication 551, Basis of Assets, for more information. Sellers/transferees are strongly encouraged to consult with a tax professional for this purpose.

How Property Was Received	How to Figure Your Basis
Property was received as a gift	Usually, your basis is the donor's adjusted basis at the time of the gift. Enter the donor's adjusted basis on line 4. Then complete the rest of the form (except line 5) with your information after you received the property. If the fair market value (FMV) of the property at the time of the gift was less than the donor's adjusted basis, get federal Publication 551 to determine your basis.
Property was inherited from someone other than your spouse/RDP	Usually, your basis is the FMV at the date of the individual's death. You can get that valuation from the probate documents, or if there was no probate, use the appraised value at the date of death. Enter the FMV on line 4. Then complete the rest of the form (except line 5) with your information after you received the property. If you or your spouse/RDP originally gave the property to the decedent within one year of the decedent's death, get federal Publication 551 to determine your basis.
You owned the property (as community property) with your spouse/RDP who died	Your basis is the FMV of the total property at the date of your spouse's/RDP's death. Enter the FMV on line 4. Then complete the rest of the form (except line 5) with your information after the date of death.
You owned the property (in joint tenancy) with your spouse/RDP who died	Your basis is the sum of: 1) the FMV of your spouse's/RDP's half of the property at the date of your spouse's/RDP's death; and, 2) the existing basis of your half of the property at the date of your spouse's/RDP's death. Enter the sum on line 4. Then complete the rest of the form (except line 5) with your information after the date of death.
Property received from your spouse/RDP in connection to your divorce/termination of registered domestic partnership	Usually, your basis is the same as it would have been without this transfer. Complete Form 593-E as if you had been the only owner before and after the transfer. If your spouse/RDP transferred the property to you before July 18, 1984, get federal Publication 551 to determine your basis.
Property received in exchange for other property	Your basis will depend on whether you received the property in a nontaxable, taxable, or partially taxable exchange. Get federal Publication 551 to determine your basis. Enter your basis on line 4. Then complete the rest of the form. However, do not include any amounts on line 5 through line 10 that you included on line 4.
You built the house (or other improvements) on the property being sold	Add the purchase price of the land and the cost of the building. Enter the total on line 4 and complete the rest of the form. If you deferred the gain from a previous home to this property, get federal Publication 551.
You received the property in a foreclosure	Enter your basis in the property after the foreclosure on line 4. (You may need to get a tax professional to help you with this calculation). Then complete the rest of the form (except for line 5) with your information after the foreclosure.

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Visit our website:

ftb.ca.gov

2019 Instructions for Form 593-I

Real Estate Withholding Installment Sale Acknowledgement

General Information

When California real estate is sold on an installment basis, the buyer/transferee is required to withhold on the principal portion of each installment payment, an amount based on either 3¹/₃% (.0333) of the total sales price, or the Optional Gain on Sale withholding amount from Form 593, Real Estate Withholding Tax Statement, line 5. If an exemption applies, no withholding is required. There is no withholding on the interest portion of the installment payment.

Real Estate Escrow Person (REEP) – The REEP is anyone involved in closing the real estate transaction which includes any attorney, escrow company, title company, Qualified Intermediary (QI), or anyone else who receives and disburses payment for the sale of real property.

Installment Sales – The REEP reports the sale or transfer as an installment sale if there will be at least one payment made after the tax year of the sale. The withholding is 3¹/₃% (.0333) of the down payment during escrow. Buyers/Transferees are required to withhold on the principal portion of all payments made following the close of the real estate transaction, unless an approval letter for elect-out method is received as described below.

Elect Out of Subsequent Installment Payment Withholding – Sellers or transferors can elect to not report the sale on the installment method. If the seller/transferor chooses not to use the installment method, the seller/transferor generally reports the entire gain in the year of sale, even though the seller/transferor does not receive all the sale proceeds in that year. To do this, the seller/transferor must:

- File a California income tax return and report the entire gain on Schedule D, California Capital Gain or Loss Adjustment, or Schedule D-1, Sale of Business Property.
- Submit to the Franchise Tax Board (FTB) a written request to release the buyer/transferee from withholding on subsequent installment payments after filing the income tax return and reporting the entire gain.

The FTB will approve or deny the request within 30 days from when received. The buyer must continue to withhold until the FTB approves the request.

For more information, get FTB 4010, Withholding on California Real Estate Installment Sales, or go to ftb.ca.gov and search for **installment sales**.

Registered Domestic Partners (RDP) – For purposes of California income tax, references to a spouse, husband, or wife also refer to a California RDP, unless otherwise specified. When we use the initials RDP they refer to both

a California registered domestic “partner” and a California registered domestic “partnership,” as applicable. For more information on RDPs, get FTB Pub. 737, Tax Information for Registered Domestic Partners.

Penalty Increase – Beginning on or after January 1, 2016, the penalties related to failure to file information returns increased. See General Information B, Interest and Penalties, or get FTB 1150, Withhold at Source Penalty Information, for more information.

A Purpose

Use Form 593-I, Real Estate Withholding Installment Sale Acknowledgement, to acknowledge the buyer’s/transferee’s requirement to withhold on the principal portion of each installment payment to the seller/transferor for the sale of California real property. The buyer/transferee is required to withhold at either the rate of 3¹/₃% (.0333) of the total sales price or the Optional Gain on Sale withholding percentage, as specified by the seller/transferor on Form 593. The buyer/transferee provides acknowledgement by signing Part IV.

The REEP retains this form for a minimum of five years and must provide it to the FTB upon request.

B Interest and Penalties

Interest will be assessed on late withholding payments and is computed from the due date to the date paid. If the REEP does not notify the buyer/transferee, other than a QI, of the withholding requirements in writing, the penalty is the greater of \$500 or 10% of the required withholding.

If after notification, the buyer/transferee, unless the buyer is a QI in a deferred exchange, does not withhold, the penalty is the greater of \$500 or 10% of the required withholding.

If the buyer/transferee or REEP does not furnish complete and correct copies of Form 593 to the seller/transferor by the due date, the penalty is \$100 per Form 593. If the failure is due to an intentional disregard of the requirement, the penalty is the greater of \$250 or 10% of the required withholding.

We assess a penalty for failure to file complete, correct, and timely information returns. The penalty is calculated per seller:

- \$30 if filed 1 to 30 days after the due date.
- \$60 if filed 31 days to 6 months after the due date.
- \$100 if filed more than 6 months after the due date.

(R&TC Section 19183)

If the failure is due to an intentional disregard of the requirement, the penalty is the greater of \$250 or 10% of the required withholding.

For more information, get FTB 1150.

Penalties referenced in this section will be assessed unless it is shown that the failure to notify, withhold, or timely furnish returns was due to reasonable cause.

Specific Instructions

Private Mail Box (PMB) – Include the PMB in the address field. Write “PMB” first, then the box number. Example: 111 Main Street PMB 123.

Foreign Address – Follow the country’s practice for entering, the city, county, province, state, country, and postal code, as applicable, in the appropriate boxes. **Do not** abbreviate the country name.

Electronic Signatures – Electronic signatures are considered as valid as the originals.

Buyer/Transferee Instructions

The buyer/transferee completes Form 593-I, Parts I, II, III, and IV. Forms are updated annually. The buyer/transferee must complete Form 593-I for the correct taxable year.

The buyer/transferee must withhold on the principal portion of each installment payment. However, the buyer/transferee may authorize the REEP to withhold on the down payment. In this case the buyer/transferee withholds on the principal portion of all subsequent payments (including payoff or balloon payments).

After completing the form, the buyer/transferee copies all pages to keep the instructions for withholding on subsequent payments.

The buyer/transferee gives the original Form 593-I, a copy of the promissory note, the seller’s/transferor’s Form 593, and Form 593-V, Payment Voucher for Real Estate Withholding, to the REEP. At the close of the real estate transaction, if no down payment is received, submit Form 593 with Part III, Line 3, Box B, Installment Sale Payment checked and \$0 reported on Line 5, Amount Withheld from this Seller/Transferor. The REEP will mail the documents to the FTB with the withholding on the down payment to:

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

For installment sales, submit the following at the close of the real estate transaction:

- Form 593
- Form 593-I
- Form 593-V, with the amount withheld on the down payment.
- A copy of the promissory note.

When making installment payments following the close of the real estate transaction, withhold either 3¹/₃% (.0333) of the total sales price, or the Optional Gain on Sale withholding

percentage on the principal portion of each installment payment, as specified by the seller/transferor on Form 593.

File only a completed **current year** Form 593 and Form 593-V with each withholding payment.

For example, if you withhold on a payment to a seller on June 1, 2019, then use a 2019 Form 593 and Form 593-V.

Form 593-I, a copy of the promissory note, and the seller's/transferor's signature are not required with any subsequent installment payments.

When the buyer/transferee sends the withholding on the final installment payment, write "Final Installment Payment" on the bottom of Form 593.

For more information on withholding on installment payments, get the instructions for Form 593 or call Withholding Services and Compliance at 888.792.4900 or 916.845.4900.

Part I – Buyer/Transferee Information

Enter the buyer's/transferee's name as it is shown on the escrow instructions. Each buyer/transferee is required to withhold on individual payments and must complete a separate Form 593-I. However, if the buyers/transferees are spouses/RDPs and both of them will be on the promissory note, then include both names, social security numbers (SSNs) or individual taxpayer identification numbers (ITINs), and signatures on one form. If the buyer/transferee is a business, enter the business name in the business name field.

The buyer's/transferee's identification number (SSN, ITIN, federal employer identification number (FEIN), CA corporation (CA Corp no.), or CA Secretary of State (CA SOS) file number) is required on each form to be valid.

Part II – Seller/Transferor Information

Enter the seller's/transferor's name as it is shown on the escrow instructions. Use a separate Form 593-I for each seller/transferor included on the promissory note. However, if the sellers or transferors are spouses/RDPs and both of them will be on the promissory note, then include both of their names and SSNs or ITINs on one form. If the seller/transferor is a business, enter the business name in the business name field.

Grantor trust – Enter the individual name and SSN or ITIN of the grantor that is required to file a tax return and report the income. **Do not** enter the name of the grantor trust. The grantor trust is disregarded for tax purposes and the individual seller/transferor must report the sale and claim the withholding on the grantor's individual tax return.

Non-grantor trust – Enter the name of the non-grantor trust and the non-grantor trust's FEIN. If the non-grantor trust has not applied for a FEIN, leave the identification number blank. **Do not enter the trustee information.** When the non-grantor trust receives their FEIN, contact Withholding Services and Compliance at 888.792.4900 or 916.845.4900.

Single member limited liability company
Enter the name and identification number of the single member.

The seller's/transferor's identification number (SSN, ITIN, FEIN, CA Corp no., or CA SOS file no.) is required on each form.

If the seller/transferor is electing the Optional Gain on Sale withholding amount, ask the seller/transferor to provide you the installment withholding percentage that the seller/transferor calculated in the instructions for the Form 593. Include this installment withholding percentage in the appropriate box and use this percentage as part of the calculation for withholding on the principal portion of each installment payment.

Enter the address (or parcel number and county) of the California real property sold or transferred.

Part III – Installment Agreement Terms

Promissory Note – Enter the terms of the promissory note and include the principal amount, installment amount, interest rate, and the number of months of the repayment period.

Attach Form 593-I and a copy of the signed promissory note to Form 593.

Part IV – Buyer's/Transferee's Acknowledgement to Withhold

By signing Part IV, you acknowledge that you will:

- Withhold on the principal portion of each installment payment.
- Authorize the REEP to withhold the required amount only on the down payment.
- Withhold 3¹/₃% (.0333) of the total sales price or the Optional Gain on Sale withholding percentage, as specified by the seller/transferor on Form 593, on the principal portion of all subsequent installment payments.
- Give one copy of Form 593 to the seller/transferor by the 20th day of the month following the month of the installment payments.
- Send each withholding payment, with Form 593-V, and the completed Form 593 to the FTB by the 20th day of the month following the month of the installment payment.

- Inform the FTB within 60 days if the terms of the installment sale, promissory note, or payment schedule change. See Additional Information for contact information.
- Be subject to penalties if you do not:
 - Withhold on the principal portion of each installment payment.
 - Send the withholding payment with Form 593 to the FTB by the due date.
 - Send one copy of Form 593 to the seller/transferor by the due date.

Real Estate Escrow Person (REEP) Instructions

Make a copy of this form for your records. Mail the completed original Form 593-I, a copy of the promissory note, the seller's/transferor's Form 593, and Form 593-V, with the required withholding amount on the down payment to the FTB at the address shown in Buyer/Transferee Instructions. Get Form 593 instructions for more information.

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Visit our website:

ftb.ca.gov

How to Get California Tax Information

Additional Information

Website: For more information, go to **ftb.ca.gov** and search for **nonwage**. **MyFTB** offers secure online tax account information and services.
For more information, go to **ftb.ca.gov** and login or register for MyFTB.

Telephone: **888.792.4900** or
916.845.4900, Withholding Services and Compliance phone service

Fax: 916.845.9512

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

For questions unrelated to withholding, or to download, view, and print California tax forms and Publications, or to access the TTY/TDD numbers, see the information below.

Internet and Telephone Assistance

Website: **ftb.ca.gov**

Telephone: 800.852.5711 from within the United States
916.845.6500 from outside the United States

TTY/TDD: 800.735.2929 for persons with hearing or speech disability
711 or 800.735.2929 California relay service

Asistencia Por Internet y Teléfono

Sitio web: **ftb.ca.gov**

Teléfono: 800.852.5711 dentro de los Estados Unidos
916.845.6500 fuera de los Estados Unidos

TTY/TDD: 800.735.2929 para personas con discapacidades auditivas o del habla
711 ó 800.735.2929 servicio de relevo de California