

# 2025 Instructions for Form 593

## Real Estate Withholding Statement

### General Information

In general, for taxable years beginning on or after January 1, 2015, California law conforms to the 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](http://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), California Adjustments - Residents, or Schedule CA (540NR), California Adjustments - Nonresidents or Part-Year Residents, and the Business Entity tax booklets.

The instructions provided with California tax forms are a summary of California tax law and are only intended to aid taxpayers in preparing their state income tax returns. We include information that is most useful to the greatest number of taxpayers in the limited space available. It is not possible to include all requirements of the California Revenue and Taxation Code (R&TC) in the instructions. Taxpayers should not consider the instructions as authoritative law.

All remitters are required to complete the applicable part(s) of Form 593, Real Estate Withholding Tax Statement, and submit Sides 1-3 to the Franchise Tax Board (FTB) regardless of the real estate transaction.

**Cash Poor Transaction** – Effective January 1, 2022, a Qualified Intermediary's (QIs) withholding obligation will be limited to available funds in those situations where the QI does not receive sufficient funds from escrow or the QI disbursed funds for purpose of completing an exchange under Internal Revenue Code (IRC) Section 1031. Enter the amount that should have been withheld on Form 593, line 34 and certify this is a cash poor transaction on Side 3. The QI must provide supporting documentation for this transaction and attach to the Form 593.

**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 QI in a deferred exchange. The amount withheld from the seller or transferor is sent to the FTB as required by R&TC Section 18662.

Real estate withholding is not required when any of the following apply:

- The sales price is \$100,000 or less.
- The property is in foreclosure.
- The transferor is a bank acting as a trustee (except for a deed of trust).
- The seller or transferor certifies to an exemption on Form 593, Part III.

For more information about real estate withholding, get FTB Pub. 1016, Real Estate Withholding Guidelines.

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

**Remitter** – The person who will remit the withheld tax on any disposition from the sale or exchange of California real estate and file the prescribed forms on the buyer's/transferee's behalf with the FTB.

**Seller** – The term "seller" includes the seller or any other transferor of real property (i.e. Seller/Transferor).

**Buyer** – The term "buyer" includes the buyer or any other transferee of real property (i.e. Buyer/Transferee).

**Like-Kind Exchanges** – 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 FTB. For more information, get form FTB 3840, California Like-Kind Exchanges, or go to [ftb.ca.gov](http://ftb.ca.gov) and search for **like kind**.

**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 3 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 elect-out method is received as described below. See Specific Instructions for more information on installment sales.

**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, Sales of Business Property.
- Submit to the 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](http://ftb.ca.gov) and search for **installment sales**.

### Alternative Withholding Calculation –

This amount is calculated when the alternative withholding calculation 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 in Part VI, Computation.

You may use estimates when you complete Part VI, 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.

**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.

### Important Information

#### Seller/Transferor filing requirement

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 Form 593 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.

#### 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 37, 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, 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 a 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.

## A Purpose

Use Form 593 to:

- Certify the seller/transferor qualifies for a full, partial, or no withholding exemption.
- Estimate the amount of the seller's/transferor's loss or zero gain for withholding purposes and to calculate an alternative withholding calculation amount.
- Report real estate withholding on sales closing in 2025, installment payments made in 2025, or exchanges that were completed or failed in 2025.

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 filed with the FTB. See Important Information E, 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 remitter must use Form 593-V when remitting a payment by check or money order.

## B Who Must File

A seller/transferor that qualifies for a full, partial, or no withholding exemption must file Form 593.

Any remitter (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, the buyer/transferee is the responsible person. See instructions for Part V, Buyer/Transferee information.

All remitters are required to complete the applicable part(s) of Form 593 and submit Sides 1-3 to the FTB regardless of the real estate transaction.

## C When and Where to File

If the seller/transferor is exempt from withholding, this form must be sent to the real estate escrow person or QI prior to the close of the real estate transaction. **The form must be sent to the FTB by the 20th day of the calendar month following the month in which escrow closes.**

For withholding on a sale, the remitter 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 FTB using the address shown in this section within 20 days following the end of the month in which the transaction closed.
- 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 remitter records for a minimum of five years.

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

- Form 593.
- 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 3 1/3% (.0333) or the alternative withholding calculation percentage on the principal portion of each installment payment, as specified by the seller/transferor on Form 593. A copy of the promissory note, and the seller's/transferor's signature are not required with any subsequent installment payments.

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

For example, if the buyer withholds on a payment to a seller on June 1, 2025, then use a 2025 Form 593 and Form 593-V.

Mail to:

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

## D 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 copy of the promissory note to the FTB with the down payment only.

For electronic filing, the REEP can submit the 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 remitter 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, for example DocuSign and scanned copies of Form 593, shall be considered as valid as the originals.

## E Amending Form 593

If an error is discovered after the remitter files Form 593, the REEP files an amended Form 593 with the FTB to correct the error. An amended Form 593 can only be filed by the REEP. If a seller/transferor notices an error, 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, 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 Important Information C, When and Where to File.

If you previously filed a Form 593 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 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.

## F 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 up to \$130 per Form 593. If the failure is due to an intentional disregard of the requirement, the penalty is the greater of \$330 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:

- \$40 if filed 1 to 30 days after the due date.
- \$80 if filed 31 days to 6 months after the due date.
- \$130 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 \$330 or 10% of the required withholding.

For more information, get FTB 1150, Withhold at Source Penalty Information.

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.

## G Helpful Hints

**Taxable Year** – The taxable year at the top of Form 593 must match the taxable year on line 32. See instructions for Part VII, line 32. We cannot process a Form 593 with an incorrect taxable year. To avoid processing delays, go to [ftb.ca.gov/forms](http://ftb.ca.gov/forms) to get the correct taxable year Form 593.

**Identification Numbers** – Check to see that the remitter 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.

## 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.

Complete fields applicable to your transaction.

Get form FTB 4064, Quick Reference Guide California Real Estate Withholding, for a detailed guide on how to complete Form 593 or go to [ftb.ca.gov](http://ftb.ca.gov) and search for **real estate withholding**.

### Part I – Remitter Information

Check the box for the type of remitter that applies to your transaction.

Enter the business or individual name (not both), escrow or exchange number, 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 either a business name or individual name. If the party is an escrow company, title company, exchange company, corporation, partnership, limited liability company, nongrantor trust, or estate, enter the business name and business identification number federal employer identification number (FEIN), California Corporation number (CA Corp no.), California Secretary of State (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 does not provide a tax identification number, withholding is still required. 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 has applied for an identification number, but it has not been received, enter, "Applied For" in the space for the seller/transferor 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.

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

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 FEIN, CA Corp no., or CA SOS file no.
- **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. 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.
- **Nongrantor trust**, enter the name of the nongrantor trust and the nongrantor trust's FEIN. If the nongrantor trust has not applied for a FEIN, leave the identification number blank. **Do not** enter the trustee information. When the nongrantor trust receives their FEIN, contact Withholding Services and Compliance at 888.792.4900 or 916.845.4900.
- **Single member limited liability company (SMLLC)**, enter the name and identification number of the single member.

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

**Property Address** – Enter the address of the CA real property transferred. Include the street address, parcel number, and county.

**Conventional Sale/Transfer and Installment Sale** – Enter the address of the CA real property transferred.

**Exchange** – Enter the address of the relinquished property.

### 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.

## Part III – 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. Seller/Transferor must complete the perjury statement, sign and date on Side 3 of Form 593. Buyer/Transferee is not required to sign for a traditional sale.

#### Line 1 – Principal Residence

To qualify as your principal residence under IRC Section 121, you (or the decedent, if sold by the decedent's estate or trust) 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 Pub. 523, Selling Your Home. To get federal publications, go to [irs.gov](http://irs.gov), or call 800.829.3676.

If only a portion of the property qualifies as your principal residence, a second Form 593 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, if sold by the decedent's estate or trust) 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 Part VI and have a loss or zero gain on line 28 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 Pub. 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 as the single member of a disregarded LLC, write on the bottom of Side 1 of Form 593 that the information on the form is for the single member of the LLC, so the REEP will understand why it is different from the recorded title holder.

If the single member is:	Complete Form 593 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 IV – Certifications That May Partially or Fully Exempt the Sale From Withholding or if No Exemptions Apply

Remitter must complete Part IV only if the seller/transferor did not meet any of the exemptions in Part III. Check all boxes that apply to the property being sold.

#### Line 10 – Simultaneous or Deferred 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.

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 QI 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 1/3% (.0333) of the sales price. Seller/Transferor must complete the perjury statement, sign and date on Side 3 of Form 593. Buyer/Transferee is not required to sign the form on an exchange transaction.

#### Line 11 – 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 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 initial sale occurs, the withholding amount on the down payment is sent to the FTB. The FTB must also receive a Form 593 with Buyer/Transferee Information section in Part V completed, along with a copy of the promissory note. Seller/Transferor and Buyer/Transferee must complete the perjury statement, sign and date on Side 3 of Form 593 when the initial sale occurs.

For the remaining installment payments, the Buyer/Transferee must sign all subsequent Form 593s. Seller/Transferor is not required to sign for subsequent payments.

#### Line 12 – No Exemptions Apply

Check this box if the exemptions in Part III or Part IV, line 10 and line 11, do not apply.

This form is signed under penalty of perjury. The seller/transferor must provide this form to the REEP or remitter to provide to the FTB.

The seller/transferor must complete and sign this form and return it to your REEP or remitter by the close of the real estate transaction for it to be valid. The buyer/transferee is not required to sign Form 593 when no exemptions apply. Otherwise, the REEP must withhold the full 3 1/3% (.0333) of the sales price or the alternative withholding calculation amount shown on line 37, Amount Withheld from this Seller/Transferor.

**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.

## Part V – Buyer/Transferee Information

### Buyer/Transferee Instructions

If the sale or transaction is an installment sale, the buyer/transferee must complete the Buyer/Transferee Information section in Part V of Form 593 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 the form is complete and signed, the buyer/transferee copies all pages to keep the instructions for withholding on subsequent payments.

The buyer/transferee submits the following to the REEP:

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

At the close of the real estate transaction, if no down payment is received, submit Form 593 with Part VII, line 35, box B, Installment Sale Payment checked and \$0 reported on line 37, Amount Withheld from this Seller/Transferor. The REEP will mail the documents to the FTB with the withholding on the down payment to the address shown under Important Information C, When and Where to File.

When making installment payments following the close of the real estate transaction, withhold either 3 1/3% (.0333) or the alternative withholding calculation percentage on the principal portion of each installment payment, as specified by the seller/transferor on Form 593. A copy of the promissory note and the seller's/transferor's signature are not required with any subsequent installment payments.

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, 2025, then use a 2025 Form 593 and Form 593-V.

When the buyer/transferee sends the withholding on the final installment payment, write "Final Installment Payment" on the bottom of Side 1 of Form 593.

For more information on withholding on installment payments, call Withholding Services and Compliance at 888.792.4900 or 916.845.4900.

### 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. However, if the buyers/transferees

are spouses/RDPs and both of them will be on the promissory note, then include both names, SSNs or 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, FEIN, CA Corp no., or CA SOS file no.) is required on each form to be valid.

**Installment Sale Terms** – 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 a copy of the signed promissory note to Form 593.

### Buyer's/Transferee's Acknowledgement to Withhold

By signing the perjury statement, 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 3 1/3% (.0333) or the Alternative Withholding Calculation, 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.
- 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.

## Part VI – Computation

### Line 13 – 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 14 – 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 15 – Amount Realized

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

## Line 16 – 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 in these instructions.

## Line 17 – 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 17, unless you already subtracted this item to arrive at the amount for line 16.

## Line 18 – 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 Pub. 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	<u>175,000</u>
Divided by 27.5 =	6,364
Multiply by 18 years =	\$114,552

Mary's estimated depreciation to enter on line 18 is \$114,552.

## Line 19 – 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 22 – 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 22 that were included on line 16.

## Line 23 – 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 26 – 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 28 – Estimated Gain or Loss on Sale

If you have a zero gain or loss, check the box for line 3 in Part III. Complete and sign Form 593 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 if the taxpayer has a tax identification number.

If you have a gain, this is your estimated amount of gain on the sale of your California property. Go to line 29.

## Line 29 – Alternative Withholding Calculation Amount

Check the applicable box for the filing type and multiply the amount on line 28 by the tax rate for the filing type selected. Enter the result on line 29. Compare this amount to the withholding amount on the sales price shown on line 30. If you elect the alternative withholding calculation amount on line 29, check the appropriate box in Part VII, line 36 (Boxes B-H), Alternative Withholding Calculation Election, then transfer the amount on line 29 to line 37.

Sign Form 593 to certify the election. Keep Form 593 for five years to document your calculations.

## Line 30 – Sales Price Withholding Amount

Multiply the selling price on line 13 by 3 1/3% (.0333) and enter the amount on line 30. If you select the standard withholding amount on line 30, check Box A on line 36 in Part VII, and transfer the amount on line 30 to line 37.

## Part VII – Escrow or Exchange Information

### Line 31 – 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 32 – 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 Important Information F, 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 32 (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 33 –** Enter the sales price, failed exchange amount, or boot amount, and the ownership percentage. Multiply the two amounts and enter the result on this line.

**Line 34 –** Enter the amount that should have been withheld during the cash poor real estate transaction.

### Line 35 – 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 VII, line 35, box B, Installment Sale Payment checked and \$0 reported on line 37, 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.

**Cash Poor:** Check this box if this is a cash poor transaction and an amount was entered on line 34. The QI must certify this is a cash poor transaction on Side 3 and attach supporting documentation for this transaction to Form 593.

**Line 36 – Withholding Calculation**

Check one box that represents the method to be used to calculate the withholding amount on line 37. Either the Sales Price Method (3 1/3% (.0333) of the sales price, boot, or installment sale payment) or the Alternative Withholding Calculation Election based on the applicable tax rate as applied to the gain on sale. Check only one box, A-H.

**Line 37 – Amount Withheld from this Seller/Transferor**

Enter the amount withheld from this transaction or installment payment based upon the appropriate calculation for either the Sales Price Method or the Alternative Withholding Calculation Election, below.

**Withholding Calculation Using Sales Price Method**

**Conventional Sale/Transfer:**

- a. Sales Price ..... \$ \_\_\_\_\_
- b. Enter the seller's/transferor's ownership percentage ..... %
- c. Amount Subject to Withholding. Multiply line a by line b and enter the result ..... \$ \_\_\_\_\_
- d. Withholding Amount. Multiply line c by 3 1/3% (.0333) and enter the result here and on Form 593, line 37 ..... \$ \_\_\_\_\_

**Installment Sale:**

- a. 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 ..... \$ \_\_\_\_\_
- b. Withholding Amount. Multiply line a by 3 1/3% (.0333) and enter the result here and on Form 593, line 37 ..... \$ \_\_\_\_\_

**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 37 ..... \$ \_\_\_\_\_

**Failed Exchange:**

- a. Sales Price. If a deferred exchange is not completed or does not meet the deferred requirements, enter the sales price. .... \$ \_\_\_\_\_
- b. Ownership Percentage. If multiple sellers/transferors 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 37 ..... \$ \_\_\_\_\_

**Withholding Calculation Using Alternative Withholding Calculation Election**

**Conventional Sale/Transfer:** Enter the amount from line 29 on line 37.

**Installment Sale:** The alternative withholding calculation 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, line 28 .. \$ \_\_\_\_\_
- b. Sale Price. Selling price from Form 593, line 13 ..... \$ \_\_\_\_\_
- c. Installment sale withholding percent, divide line a by line b. . . . . %

**Step 2:** Calculate the alternative 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 37. .... \$ \_\_\_\_\_

When withholding on the principal portion of each installment payment using the Alternative Withholding Calculation Election, the seller/transferor must provide the buyer/transferee with the Installment Sale Withholding percent.

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 37 ..... \$ \_\_\_\_\_

**Failed Exchange:**

- a. Gain on Sale from Form 593, line 28 ..... \$ \_\_\_\_\_
- b. Ownership Percentage. If multiple sellers/transferors 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 37 ... \$ \_\_\_\_\_

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	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%
Trusts (Grantor and Nongrantor)	12.3%

## Perjury Statement

The perjury statement must be completed for all real estate transactions. Check the applicable box(s) and include all required signatures.

The seller/transferor is required to sign during all real estate transactions. The seller/transferor is not required to sign Form 593 for withholding on subsequent installment payments.

The buyer/transferee is only required to sign Form 593 on the principal portion (e.g., down payment) received in escrow upon closing. Following the close of escrow, the buyer/transferee is required to sign Form 593 for withholding on all subsequent installment payments.

## Seller's/Transferor's and Buyer's/Transferee's Signatures

If the seller's/transferor's and/or buyer's/transferee's 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.

For information on electronic signatures, see Important Information D, Electronic Filing Requirement.

## Remitter's Name and Title/Escrow Business Name

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

If the Remitter (QI) certifies on Side 3 that the real estate transaction is "Cash Poor," a signature is required in the **Remitter's name** field.

## 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 Pub. 551, Basis of Assets, for more information. Sellers/transferors 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 16. Then complete the rest of Part VI (except line 17) 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 Pub. 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 16. Then complete the rest of Part VI (except line 17) 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 Pub. 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 16. Then complete the rest of Part VI (except line 17) 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 16. Then complete the rest of Part VI (except line 17) 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 Part VI 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 Pub. 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 Pub. 551 to determine your basis. Enter your basis on line 16. Then complete the rest of Part VI. However, do not include any amounts on line 17 through line 22 that you included on line 16.
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 16 and complete the rest of Part VI. If you deferred the gain from a previous home to this property, get federal Pub. 551.
You received the property in a foreclosure	Enter your basis in the property after the foreclosure on line 16. (You may need to get a tax professional to help you with this calculation). Then complete the rest of Part VI (except for line 17) with your information after the foreclosure.