

State of California

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Legislative Change No.

06-10

Bill Number: AB 2962

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Chapter Number: 06-428

Laws Affecting Franchise Tax Board: Revenue and Taxation Code Sections 18662 and 18668

Date Filed with the Secretary of the State: September 22, 2006

SUBJECT: Withholding on California Real Estate Limited to Gain on Sale

Assembly Bill 2962 (Benoit), as enacted on September 22, 2006, made the following changes to California law:

Section 18662 of the Revenue and Taxation Code is amended.

The act allows a seller of California real estate to elect an alternative to the current withholding requirement based on 3 $\frac{1}{3}$ % of the sales price. A seller will be able to choose a withholding amount based on the maximum tax rate of 9.3% for individuals or 8.84% for corporations applicable to the gain on the sale. An electing seller will be required to certify the withholding amount in writing under penalty of perjury to the buyer or real estate escrow person (REEP). This election will be permitted for sales occurring on or after January 1, 2007.

Section 18668 of the Revenue and Taxation Code is amended.

The act modifies the specified withholding-related notification that the REEP must provide to a buyer of California real estate to reflect a seller's election to certify a withholding amount based on the applicable maximum tax multiplied by the gain on the sale.

Assistant Bureau Director

Patrice Gau-Johnson.

Date

9/28/06