

**2015**

# Real Estate Withholding Installment Sale Acknowledgement

**593-I**(This form should only be completed by the buyer.)**Part I – Buyer**

First name	Initial	Last name	SSN or ITIN
Spouse's/RDP's first name (if jointly purchased)	Initial	Last name	Spouse's/RDP's SSN or ITIN
Business name (if applicable)			<input type="checkbox"/> FEIN <input type="checkbox"/> CA Corp no. <input type="checkbox"/> CA SOS file no.
Address (apt./ste., room, PO Box, or PMB no.)			
City (If you have a foreign address, see instructions.)	State	ZIP Code	Daytime telephone number ( )

**Part II – Seller or Transferor**

First name	Initial	Last name	SSN or ITIN
Spouse's/RDP's first name (if jointly sold)	Initial	Last name	Spouse's/RDP's SSN or ITIN
Business name (if applicable)			<input type="checkbox"/> FEIN <input type="checkbox"/> CA Corp no. <input type="checkbox"/> CA SOS file no.
Address (apt./ste., room, PO Box, or PMB no.)			
City (If you have a foreign address, see instructions.)	State	ZIP Code	Installment Withholding Percent _____ % Apply this percent to all installment payments.
Property address (if no street address, provide parcel number and county)			

**Part III – Installment Agreement Terms** See instructions.

Principal Amount of Promissory Note	Installment Amount	Interest Rate %	Repayment Period Number of months
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**Part IV – Buyer's Acknowledgement to Withhold** (Read the "Buyer" information below before you sign.)

I acknowledge that I am required to withhold on the principal portion of each installment payment to the seller or transferor for the above shown California real property either at the rate of 3<sup>1</sup>/<sub>3</sub>% (.0333) of the total sales price or the Optional Gain on Sale withholding percentage, as specified by the seller or transferor on Form 593, Real Estate Withholding Tax Statement, of the principal portion of each installment payment. I will complete Form 593 for the principal portion of each installment payment and send one copy of each to the Franchise Tax Board along with Form 593-V, Payment Voucher for Real Estate Withholding, the withholding payment, and give one copy of Form 593 to the seller or transferor. I will send each withholding payment to the Franchise Tax Board by the 20th day of the month following the month of the installment payment. If the terms of the installment sale, promissory note, or payment schedule change, I will promptly inform the Franchise Tax Board. I understand that the Franchise Tax Board may review relevant escrow documents to ensure withholding compliance. I also understand that I am subject to withholding penalties if I do not withhold on the principal portion of each installment payment and do not send the withholding along with Form 593 to the Franchise Tax Board by the due date, or if I do not send one copy of Form 593 to the seller or transferor by the due date.

Print name and title \_\_\_\_\_

Buyer's signature \_\_\_\_\_ Date \_\_\_\_\_

Buyer's spouse's/RDP's name (if on title) \_\_\_\_\_

Buyer's spouse's/RDP's signature (if applicable) \_\_\_\_\_ Date \_\_\_\_\_

It is unlawful to forge a spouse's/RDP's signature.

**Buyer:** Make sure you copy all pages so you will have the instructions for withholding on subsequent payments. Provide the original Form 593-I, along with copies of the promissory note and seller's or transferor's certified Form 593, to your real estate escrow person (REEP), who will mail the forms and remit the payment to the Franchise Tax Board. Your REEP will withhold on the principal portion of the first installment payment. You must withhold on the principal portion of all subsequent installment payments (including payoff or balloon payments). Complete Form 593 and Form 593-V, and mail the documents and payment to the Franchise Tax Board for the principal portion of each installment payment.

**Seller or Transferor:** Make a copy of this form for your records.

**REEP:** Make a copy of this form for your records. Mail Form 593-V, the original Form 593-I, a copy of the promissory note, and seller's or transferor's certified Form 593 to the Franchise Tax Board with the required amount of the first installment payment.

# 2015 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 is required to withhold on the principal portion of each installment payment, an amount based on either 3 $\frac{1}{3}$ % (.0333) of the total sales price, or the Optional Gain on Sale withholding amount from Form 593, Real Estate Withholding Tax Statement, line 5, which is certified by the seller or transferor. 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)** – REEP is any person involved in closing the real estate transaction which includes any attorney, escrow company, or title company, or any other person who receives and disburses payment for the sale of real property.

**Installment Sales** – The withholding agent is required to report an installment sale if the transaction is structured as an installment sale as evidenced by a promissory note. The withholding agent is required to withhold 3 $\frac{1}{3}$ % (.0333) of the first installment payment.

Buyers are required to withhold on the principal portion of each subsequent installment payment if the sale of California real property is structured as an installment sale.

#### Withhold on Installment Sale Elect-out

**Method** – If the seller or transferor elects not to report the sale on the installment method (Internal Revenue Code Section 453(d)), the seller or transferor must file a California tax return and report the entire sale on Schedule D-1, Sale of Business Property. After filing the tax return and reporting the entire gain, the seller or transferor must submit a written request to the Franchise Tax Board (FTB) to release the buyer from withholding on the installment sale payments. Once the request is received, the FTB will issue an approval or denial within 30 days.

**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.

### A Purpose

Use Form 593-I, Real Estate Withholding Installment Sale Acknowledgement, to acknowledge the buyer's requirement to withhold on the principal portion of each installment payment to the seller or transferor for the sale of California real property. The buyer is required to withhold at either the

rate of 3 $\frac{1}{3}$ % (.0333) of the total sales price or the Optional Gain on Sale withholding percentage, as specified by the seller or transferor on Form 593. The buyer provides acknowledgement by signing Part IV.

The withholding agent 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 of the withholding requirements in writing, the penalty is the greater of \$500 or 10% of the required withholding.

If after notification, the buyer or other withholding agent does not withhold, the penalty is the greater of \$500 or 10% of the required withholding.

If the buyer or other withholding agent does not furnish complete and correct copies of Form 593 to the seller or transferor by the due date, the penalty is \$50 per Form 593. If the failure is due to an intentional disregard of the requirement, the penalty is the greater of \$100 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:

- \$15 if filed 1 to 30 days after the due date.
- \$30 if filed 31 days to 6 months after the due date.
- \$50 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 \$100 or 10% of the required withholding.

### 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** – Enter the information in the following order: City, Country, Province/Region, and Postal Code. Follow the country's practice for entering the postal code. Do not abbreviate the country's name.

### Buyer Instructions

Form 593-I, Parts I, II, III, and IV should only be completed by the buyer. Forms are updated annually. Make certain that the most current version of the form is being used.

The buyer must withhold on the principal portion of each installment payment. However, the buyer may authorize the REEP to withhold on the principal portion of the first installment payment. In this case the buyer withholds

on the principal portion of all subsequent payments (including payoff or balloon payments).

After completing the form, the buyer should copy all pages to have the instructions for withholding on subsequent payments. The buyer will give the original Form 593-I, a copy of the promissory note, the seller's or transferor's certified Form 593, and Form 593-V, Payment Voucher for Real Estate Withholding, to the REEP. The REEP will mail the documents to the FTB with the withholding on the principal portion of the first installment payment to:

FRANCHISE TAX BOARD  
PO BOX 942867  
SACRAMENTO CA 94267-0651

When making subsequent installment payments, withhold either 3 $\frac{1}{3}$ % (.0333) of the total sales price, or the Optional Gain on Sale withholding percentage, as specified by the seller or transferor on Form 593, on the principal portion of each installment payment. The seller's or transferor's signature is not required on each subsequent and completed Form 593. **Do not** include another completed Form 593-I and a copy of the promissory note. Mail each withholding payment with Form 593-V, and use a completed current year Form 593. Use the taxable year Form 593 for which you are sending the withholding payment. Do not use the copy of Form 593 provided to you during escrow.

When the buyer 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

Enter the buyer's name as it is shown on the escrow instructions. Each buyer is required to withhold on individual payments and must complete a separate Form 593-I. However, if the buyers 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 is a business, enter the business name in the business name field.

The buyer'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.

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## Part II – Seller or Transferor

Enter the seller's or transferor's name as it is shown on the escrow instructions. Use a separate Form 593-I for each seller or 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 or transferor is a business, enter the business name in the business name field.

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

If the seller or transferor is electing the Optional Gain on Sale withholding amount, ask the seller or transferor to provide you the installment withholding percentage that the seller or 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 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 first installment payment.
- Withhold 3<sup>1</sup>/<sub>3</sub>% (.0333) of the total sales price or the Optional Gain on Sale withholding percentage, as specified by the seller or transferor on Form 593, on the principal portion of all subsequent installment payments.
- Give one copy of Form 593 to the seller or 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 along with Form 593 to the FTB by the due date.
  - Send one copy of Form 593 to the seller or 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 or transferor's certified Form 593, and Form 593-V, with the required withholding amount on the first installment payment to the FTB at the address shown in Buyer Instructions. Get Form 593 instructions for more information.

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## Additional Information

For additional information or to speak to a representative regarding this form, call the Withholding Services and Compliance telephone service at:

**888.792.4900**, or  
**916.845.4900**  
FAX **916.845.9512**

Or write to:

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

You can download, view, and print California tax forms and publications at **ftb.ca.gov**.

Or to get forms by mail write to:

TAX FORMS REQUEST UNIT  
FRANCHISE TAX BOARD  
PO BOX 307  
RANCHO CORDOVA CA 95741-0307

## 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: **800.822.6268** for persons with hearing or speech impairments

## 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: **800.822.6268** para personas con discapacidades auditivas o del habla