

This brochure provides an overview of real estate installment sales including tips on how to:

- ◆ Withhold during and after escrow.
- ◆ Claim withholding credit.
- ◆ Elect out of withholding on subsequent installment payments.

Forms and Publications

Go to ftb.ca.gov to find the following forms and publications we mention in this brochure:

Search for...	Title
593	<i>Real Estate Withholding Tax Statement</i>
593-I	<i>Real Estate Withholding Installment Sale Acknowledgement</i>
593-V	<i>Payment Voucher for Real Estate Withholding</i>
1016	<i>Real Estate Withholding Guidelines</i>

For more information about real estate withholding, see Franchise Tax Board (FTB) Pub 1016.

Contact Us

Web

Go to ftb.ca.gov and search for **installment sales** for more information on this topic.

MyFTB offers secure online tax account information and services including available nonwage withholding credits. For more information and to register, go to ftb.ca.gov and search for **myftb**.

Phone or Fax

Phone: 888.792.4900
916.845.4900 (outside U.S.)
TTY/TDD: 800.822.6268
Fax: 916.845.9512

Mail

WITHHOLDING SERVICES
AND COMPLIANCE MS F182
FRANCHISE TAX BOARD
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California Real Estate Withholding Installment Sales

An Overview for Buyers and Sellers



Overview

For withholding purposes, an installment sale is a sale of California real property where the seller receives at least one payment after the tax year of the sale.

We require the buyer to withhold on the principal portion of each installment payment unless a withholding exemption applies.

During Escrow

For an installment sale, we require the buyer to:

- ◆ Complete and sign Form 593-I.
- ◆ Withhold 3 1/3 percent or the alternative withholding calculation certified on Form 593 on the principal portion of the down payment.
- ◆ Submit Form 593-I, a copy of the promissory note, and the amount you withheld to the real estate escrow person (REEP). The REEP forwards the withholding to us on the buyer's behalf.

After Escrow

The buyer must continue to withhold on all installment payments following the close of escrow. Prior to sending each payment to the seller, the buyer must:

- ◆ Withhold 3 1/3 percent or the alternative withholding calculation certified on Form 593.
- ◆ Send the following to us within 20 days after the end of the month the buyer makes a payment and withholds:
 - ❖ Withholding payment
 - ❖ Form 593-V
 - ❖ Form 593

(Ensure the tax year on both forms matches the tax year in which the transaction happened.)

- ◆ Provide a copy of Form 593 to the seller by the 20th day of the month following the month of the installment payment.
- ◆ Write "Final Installment Payment" on the bottom of Form 593 when you send the final installment payment.
- ◆ Inform us in writing at any time if the terms of the installment sale, promissory note, or payment schedule change.

Claim Withholding Credit

We require the seller to file the appropriate California income tax return, report installment sale income, and claim the related withholding credit in each tax year you receive installment payments.

How to Elect Out of Withholding on Subsequent Installment Payments

Sellers may be eligible for a release from withholding on installment payments following the close of escrow. To elect out of withholding on installment payments from the sale of California real property, the seller must fulfill the following requirements:

- ◆ File a California income tax return and report the entire gain on Schedule D-1 in the year of the sale.
- ◆ Contact us by phone, fax, or mail to request we release the buyer from withholding on subsequent installment payments. We will respond to your request within 30 days.
- ◆ Receive an approval from us.

The buyer must continue to withhold until you receive our approval and you notify the buyer of the release.

