

Example 11 - Withholding on refinance title transfers

In this example, Sam and Mike each have 50% interest in a rental home. They purchased the house for \$100,000. The house is now worth \$350,000. They refinanced a few years ago and still owe \$180,000.

Sam wants out of his financial arrangement with Mike. Mike is refinancing a new loan for \$300,000 in his name only and agreed to pay Sam \$75,000 from the proceeds. The total sales price is the total of **the relief of liability**, plus the **proceeds that he is to receive**. The total sales price is over \$100,000 therefore withholding is required.

Calculating Sam's Total Sales Price

Relief of Liability	
Amount owed on the property	180,000
x <u>Ownership percentage of entity being transferred off the title</u>	x <u>.50</u>
Relief of liability	\$90,000
Proceeds Received	
The amount to be received by the entity being transferred off of title.	\$75,000
Total Sales Price	
Relief of Liability	90,000
+ <u>Proceeds received</u>	<u>+ 75,000</u>
Sam's Total Sales Price	<u>\$165,000</u>

2007 Real Estate Withholding Tax Statement

593-B

Attach to Form 593, Real Estate Withholding Remittance Statement

Copy A FOR FRANCHISE TAX BOARD

Part I Withholding Agent (Payer/Sender) Check one: Escrow/Title Company Accommodator/Intermediary Buyer

Name, Mailing Address, (number and street, PO Box, rural route, Apt. no., suite, room, or PMB no.), City, State, and ZIP Code

All Right Escrow
1234 Main Street
Anytown, CA 95000

<input checked="" type="checkbox"/> FEIN <input type="checkbox"/> CA Corp. No
99-1100000
SSN or ITIN

Seller or Transferor (Complete one 593-B for each seller, unless husband and wife)

Name, Mailing Address, (number and street, PO Box, rural route, Apt. no., suite, room, or PMB no.), City, State, and ZIP Code

Samuel Sells
711 Dice Street
Vegas, CA 90010

SSN or ITIN
100-10-1000
Spouse's SSN or ITIN (if jointly owned)

Enter in Box 3 the total sales price calculated.

Relief of liability
+ Proceeds Received
Total Sales Price

Enter **100%** as the ownership percentage since only Sam's portion is being sold.

Escrow or Exchange Information

1 Escrow or Exchange Number PP98765	2 Date of Transfer, Exchange Completion, Exchange Failure, or Installment Payment 08/15/2007	3 Total Sales Price \$ 165,000.00	4 Ownership Percentage 100 %
5 Address (or parcel number and county) of the California real property transferred 700 Taco Road Bell, CA 90111	6 Withholding Method Selected Check one: <input checked="" type="checkbox"/> Total Sales Price (complete box 7a and 7b, skip box 8 and 9) <input type="checkbox"/> Alternative Election (skip box 7a and 7b, complete box 8 and 9)	7a Amount Subject to Withholding (Total Sales Price) \$ 165,000.00 Check One: <input checked="" type="checkbox"/> Total Sales Price x Ownership % <input type="checkbox"/> Installment Sale Payment <input type="checkbox"/> Boot <input type="checkbox"/> Failed Exchange (Total Sales Price x Ownership %) <input type="checkbox"/> Failed Exchange (Less Boot at Sale)	7b Amount Withheld From This Seller (Total Sales Price) \$ 5,494.50 (.0333 x Amount subject to withholding from box 7a)
	8 Amount Withheld From This Seller (Alternative Election) \$ _____ Enter the amount from Form 593, 17. Check One: <input type="checkbox"/> 9.3% In <input type="checkbox"/> 9.3% In <input type="checkbox"/> 9.3% In <input type="checkbox"/> 9.3% In	9 Installment Withholding Percent _____% (Percent from Box 9 instructions) Apply this percent to all installment payments.	
Preparer: Name and Title (please type or print) Pati Perfect, Escrow Officer		Telephone Number (916) 555-1212	

Enter in Box 7b the amount subject to withholding.
\$165,000 x .0333.

Check the **Total Sales Price** checkbox in Box 6.

Enter in Box 7a the amount subject to withholding (Box 3) x ownership percentage (Box 4).

Part II Election and Certification of Seller or Transferor If you checked "Alternative Election" in box 6 and completed ownership percentage (Box 4).

Title and escrow persons and exchange accommodators are not authorized to provide legal or accounting advice for purposes of determining withholding amounts. Transferors are strongly encouraged to consult with a competent tax professional for this purpose.

Under penalties of perjury, I elect the alternative withholding and hereby certify that the information provided above is, to the best of my knowledge, true and correct. I understand that the Franchise Tax Board may review relevant escrow documents to ensure withholding compliance.

Seller's name (type or print) _____

Seller's signature _____ Date: _____

Spouse's name (if jointly owned) _____

Spouse's signature (if jointly owned) _____ Date: _____