



# REAL ESTATE WITHHOLDING

Real estate withholding is a prepayment of income (or franchise) tax due from **sellers** or **transferors** from the sale of California real property. It is not an additional tax on the sale of real estate.

Withholding is required by the **buyer**; however, the withholding may be performed by the Real Estate Escrow Person (REEP) on the buyer's behalf.

Real estate withholding is required whenever there is a transfer of title on California real property. Examples are:

- Sales or transfers of real property (including exchanges and gifts)
- Leaseholds/options
- Short sales
- Easements
- Personal property sold with real property (if not stated separately)
- Deferred exchanges
- Vacant land

## TOP 10 ERRORS

### THAT DELAY DOCUMENT PROCESSING & PAYMENT ALLOCATION

Category	Error	Solution
Forms	Filed incorrect taxable year Form 593.	File the correct taxable year Form 593. Ensure that the taxable year matches the income year on the top left of Form 593.
	Form fields left blank or incorrectly entered.	Enter information into all applicable fields completely and accurately. Include a phone number so you can be reached directly if an error or omission is discovered.
	Entered multiple or unrelated sellers on one withholding form.	File a separate withholding form for each of the sellers (other than joint filers) to allocate the proportional share of withholding.
	Sent unnecessary paperwork to Franchise Tax Board (FTB).	Only send the required forms. Cover letter, closing statement and form instruction documents are generally not necessary.
	Sent Form 593-C and Form 593-E to allocate withholding.	Do not send Form 593-C, <i>Real Estate Withholding Certificate</i> , and Form 593-F, <i>Real Estate Withholding – Computation of Estimated Gain or Loss</i> , unless they are requested. Seller should retain Form 593-E for five years. Escrow should retain Form 593-C for five years.
	Entered incorrect withholding agent or seller.	Enter the withholding agent as the individual or entity who withheld and sent the payment. Enter the seller as the entity or individual named on title.
Identification	Omitted or entered incorrect tax identification number on Form 593.	Enter the correct social security number, individual taxpayer identification number or federal employer identification number to avoid processing delays.
	Sent non-real estate related payments.	Do not send lien or bill payments with real estate withholding payments.
Payments	No information sent with payment.	Send payment using form 593-V, <i>Payment Voucher for Real Estate Withholding</i> . Enter the same withholding agent information as were entered on Form 593. Or, if eligible, send your payment using Electronic Funds Transfer (EFT).
	One payment for multiple transactions does not equal the amount entered on the withholding forms.	Ensure the payment sent for multiple transactions equals the total amount entered on the submitted withholding forms.

*\*For answers to questions on real estate withholding, it is recommended that you contact the State of California Franchise Tax Board at [www.ftb.ca.gov](http://www.ftb.ca.gov) or by phone 1(888)792-4900.*