This brochure provides an overview of California real estate installment sales, including 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:

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For more information about California real estate withholding, refer to FTB Pub. 1016.

Contact Us

Web

Go to ftb.ca.gov and search for installment sales for more information.

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

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
PO BOX 942867
SACRAMENTO CA 94267-0651
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.

At the Close of Escrow

For an installment sale, we require the buyer to:

- Complete Form 593, Parts I, II, IV, V, and VII.
  - Sign and date the form at the bottom of Side 3.
- Withhold 3 1/3 percent or the alternative withholding calculation on the principal portion of the down payment certified on Form 593, Part VII.
- Submit Form 593, a copy of the promissory note, the amount you withheld, and Form 593-V. The REEP forwards the withholding and the payment voucher to us on the buyer’s behalf.

After Escrow Closes

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:

- Send us the following by the 20th day of the month, following the month escrow closes or payment is received:
  - Form 593
  - Withholding payment
  - Form 593-V
- Provide a copy of Form 593 to the seller by the 20th day of the month following the month of the installment payment.

Future Events

- The buyer must write “Final Installment Payment” on the bottom of Form 593 when sending the final installment payment with Form 593-V.
- 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 the installment sale income, and claim the related withholding credit in each tax year they receive installment payments.

How to Elect Out of Withholding on Subsequent Installment Payments

The seller 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 the request within 30 days.
- Receive an approval from us.

The buyer must continue to withhold until the seller receives our approval and notifies the buyer of the release.