



California

Forms & Instructions

593-C 593-E

2015

Members of the Franchise Tax Board

John Chiang, Chair
Jerome E. Horton, Member
Michael Cohen, Member

This booklet contains:

Form 593-C, Real Estate Withholding
Certificate

Form 593-E, Real Estate Withholding –
Computation of Estimated Gain or Loss



State of California
Franchise Tax Board

2015 California Forms 593-C, 593-E, and Instructions

Table of Contents

General Information	2
Form 593-C, Real Estate Withholding Certificate	3
Instructions for Form 593-C	4
Form 593-E, Real Estate Withholding – Computation of Estimated Gain or Loss	6
Instructions for Form 593-E	7
How to Figure Your Basis	8
How to Get California Tax Information	9

General Information

A Important Information

Installment Sales – The withholding agent is required to report as 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 3¹/₃% (.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. For more information, get Form 593-I, Real Estate Withholding Installment Sale Acknowledgement.

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.

B Purpose

Use this booklet for real estate sales or transfers closing in 2015.

Withholding is required when California real estate is sold or transferred. The amount withheld from the seller or transferor is sent to the Franchise Tax Board (FTB) as required by California Revenue and Taxation Code Section 18662.

Withholding is **not** required if any of the following apply:

- The total sales price is \$100,000 or less.
- The property is being foreclosed upon (sold pursuant to a power of sale under a mortgage or deed of trust, sold pursuant to a decree of foreclosure, or by a deed in lieu of foreclosure).
- The transferor is a bank acting as a trustee other than a trustee of a deed of trust.
- The seller or transferor certifies to an exemption. See the exemptions on Form 593-C, Part II and Part III.

The following are excluded from withholding and completing this form:

- The United States and any of its agencies or instrumentalities.
- A state, a possession of the United States, the District of Columbia, or any of its political subdivisions or instrumentalities.

For more information about real estate withholding, get FTB Pub. 1016, Real Estate Withholding Guidelines.

If you are a seller or transferor:

- Use Form 593-C to determine whether you qualify for a full or partial withholding exemption. Keep this form for five years.
- Use Form 593-E to determine your gain or loss on the sale and to calculate the optional gain on sale withholding amount. Keep this form for five years.

C Real Estate Withholding

- Real estate withholding is a prepayment of income tax due from the gain on a sale of California real estate. If the amount withheld is more than the income tax liability, we will refund any available difference between the amounts when you file a tax return after the end of the taxable year.
- Although the law requires the buyer to withhold, the buyer can request the Real Estate Escrow Person (REEP) to do the withholding. A 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.

Withholding Calculation

The two methods used for calculating the withholding amount are the Total Sales Price Method and the Optional Gain on Sale Election Method. The withholding amount is determined under the Total Sales Price Method by multiplying the selling price by 3¹/₃% (.0333). The withholding amount is determined under the Optional Gain on Sale Election Method by multiplying the estimated gain by the seller's or transferor's maximum tax rate.

D Withholding Agent Instructions

Provide Forms 593, Real Estate Withholding Tax Statement, 593-C, 593-E, and 593-I, with instructions to each seller or transferor as soon as escrow opens. If the sale qualifies for an automatic exemption (the sales price is \$100,000 or less, the transferor is a bank acting as a trustee other than a trustee of a deed of trust, or the property is being foreclosed upon), the forms are not required. Make certain you use the correct form and that the year on the form is the year that escrow closed.

Instruct the seller or transferor to complete and sign Form 593-C and return it to the REEP by the close of escrow. Incomplete or improperly completed forms may not exempt the seller or transferor from withholding. Form 593-C cannot be accepted after the close of escrow.

REEP: If, during the escrow, an individual seller or transferor transfers title to a corporation or partnership and then the corporation or partnership transfers title to the buyer, then there are two transfers for withholding purposes. Accordingly, two separate Forms 593-C should be completed for withholding purposes. The individual must complete one form for the transfer to the corporation or partnership. The corporation or partnership must complete the other form for the transfer to the buyer.

- If the seller or transferor checked any box in Part II, Certifications which fully exempt the sale from withholding, the seller or transferor is exempt from withholding. You are relieved of the real estate withholding requirements if, based on all the information that you have knowledge of, the seller or transferor certifies an exemption from withholding.
- If the seller or transferor checked any box in Part III, Certifications that may partially or fully exempt the sale from withholding, the seller or transferor may qualify for a partial or complete withholding exemption. Read the specific line instructions to determine the amount to withhold and any additional requirements.
- As to Part III, line 12 box only, the withholding agent is required to check the box if the transaction is structured as an installment sale, as evidenced by a promissory note. As to this box only, the signature of the seller or transferor is not required. The withholding agent should also complete Form 593, Real Estate Withholding Tax Statement, Part III, line 3 and check box B, Installment Sale Payment.
- Except as to an installment sale, if the seller or transferor did not check any box in Part II or Part III, the withholding will be 3¹/₃% (.0333) of the total sales price, or the optional gain on sale withholding amount from line 5 of the certified Form 593. If the type of transaction is an installment sale, then you are required to withhold 3¹/₃% (.0333) of the first installment payment.
- Except as to an installment sale, if the seller or transferor does not return the completed Form 593 and Form 593-C by the close of escrow, you are required to withhold 3¹/₃% (.0333) of the total sales price. If the type of transaction is an installment sale, then you are required to withhold 3¹/₃% (.0333) of the first installment payment.

As the REEP, you are required to withhold and complete Form 593 for each seller or transferor that was withheld upon. Give one copy of Form 593 to the seller or transferor. After the close of the month, the REEP mails one copy of all of the Forms 593 completed during the month, and any Form 593-I and promissory note, to the FTB with the total amount withheld for all transactions that closed during the month. However, the REEP has the option to send in one payment and the related Form 593, and any Form 593-I and promissory note, if applicable, for each escrow.

Regardless of whether you send one payment for the month or one payment for each escrow, Forms 593, any required Form 593-I and promissory note, and the withholding payment are due to the FTB by the 20th day of the month following the month you closed escrow. As the REEP remitting the withholding to the FTB, you must include your name and telephone number as a contact for the remittance.

Do not send Form 593-C to the FTB. The REEP retains this form for a minimum of five years and must provide it to the FTB upon request.

2015 Real Estate Withholding Certificate

593-C

Part I – Seller or Transferor

Return this form to your escrow company.

Name		SSN or ITIN	
Spouse's/RDP's name (if jointly owned)		Spouse's/RDP's SSN or ITIN (if jointly owned)	
Address (apt./ste., room, PO Box, or PMB no.)		<input type="checkbox"/> FEIN <input type="checkbox"/> CA Corp no. <input type="checkbox"/> CA SOS file no.	
City (If you have a foreign address, see instructions.)	State	ZIP Code	Ownership percentage _____ %
Property address (if no street address, provide parcel number and county)			

To determine whether you qualify for a full or partial withholding exemption, check all boxes that apply to the property being sold or transferred. (See instructions)

Part II – Certifications which fully exempt the sale from withholding:

1. The property qualifies as the seller's or transferor's (or decedent's, if sold by the decedent's estate or trust) principal residence within the meaning of Internal Revenue Code (IRC) Section 121.
2. The seller or transferor (or decedent, if sold by the decedent's estate or trust) last used the property as the seller's or transferor's (decedent's) principal residence within the meaning of IRC Section 121 without regard to the two-year time period.
3. The seller or transferor has a loss or zero gain for California income tax purposes on this sale. To check this box you must complete Form 593-E, Real Estate Withholding-Computation of Estimated Gain or Loss, and have a loss or zero gain on line 16.
4. The property is being compulsorily or involuntarily converted and the seller or transferor intends to acquire property that is similar or related in service or use to qualify for nonrecognition of gain for California income tax purposes under IRC Section 1033.
5. The transfer qualifies for nonrecognition treatment under IRC Section 351 (transfer to a corporation controlled by the transferor) or IRC Section 721 (contribution to a partnership in exchange for a partnership interest).
6. The seller or transferor is a corporation (or a limited liability company (LLC) classified as a corporation for federal and California income tax purposes) that is either qualified through the California Secretary of State (SOS) or has a permanent place of business in California.
7. The seller or transferor is a California partnership or a partnership qualified to do business in California (or an LLC that is classified as a partnership for federal and California income tax purposes and is not a single member LLC that is disregarded for federal and California income tax purposes).
8. The seller or transferor is a tax-exempt entity under California or federal law.
9. The seller or transferor is an insurance company, individual retirement account, qualified pension/profit sharing plan, or charitable remainder trust.

Part III – Certifications that may partially or fully exempt the sale from withholding:

Real Estate Escrow Person (REEP): See instructions for amounts to withhold.

10. The transfer qualifies as a simultaneous like-kind exchange within the meaning of IRC Section 1031.
11. The transfer qualifies as a deferred like-kind exchange within the meaning of IRC Section 1031.
12. The transfer of this property is an installment sale where the buyer is required to withhold on the principal portion of each installment payment. Copies of Form 593-I, Real Estate Withholding Installment Sale Acknowledgement, and the promissory note are attached.

Seller or Transferor Signature

Under penalties of perjury, I hereby certify that the information provided above is, to the best of my knowledge, true and correct. If conditions change, I will promptly inform the withholding agent. I understand that I must retain this form in my records for 5 years and that the Franchise Tax Board may review relevant escrow documents to ensure withholding compliance. Completing this form does **not** exempt me from filing a California income or franchise tax return to report this sale.

Seller's/Transferor's Name and Title _____ Seller's/Transferor's Signature _____ Date _____
 Spouse's/RDP's Name _____ Spouse's/RDP's Signature _____ Date _____

Seller or Transferor If you checked any box in Part II, you are exempt from real estate withholding.
 If you checked any box in Part III, you may qualify for a partial or complete withholding exemption.
 Except as to an installment sale, if the seller or transferor did not check any box in Part II or Part III of Form 593-C, the withholding will be 3¹/₃ (.0333) of the total sales price or the optional gain on sale withholding amount from line 5 of the certified Form 593, Real Estate Withholding Tax Statement. If the seller or transferor does not return the completed Form 593 and Form 593-C by the close of escrow, the withholding will be 3¹/₃ (.0333) of the total sales price, unless the type of transaction is an installment sale. If the transaction is an installment sale, the withholding will be 3¹/₃ (.0333) of the first installment payment.
 If you are withheld upon, the withholding agent should give you one copy of Form 593. Attach a copy to the lower front of your California income tax return and make a copy for your records.

2015 Instructions for Form 593-C

Real Estate Withholding Certificate

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 2009**, and to the California Revenue and Taxation Code (R&TC).

General Information

In general, for taxable years beginning on or after January 1, 2010, California law conforms to the Internal Revenue Code (IRC) as of January 1, 2009. However, there are continuing differences between California and federal law. When California conforms to federal tax law changes, we do not always adopt all of the changes made at the federal level. For more information, go to ftb.ca.gov and search for **conformity**. Additional information can be found in FTB Pub. 1001, Supplemental Guidelines to California Adjustments, the instructions for California Schedule CA (540 or 540NR), and the Business Entity tax booklets.

Like-Kind Exchanges – For taxable years beginning on or after January 1, 2014, California requires taxpayers who exchange property located in California for like-kind property located outside of California, and meet all of the requirements of the IRC Section 1031, to file an annual information return with the Franchise Tax Board (FTB). For more information, get form FTB 3840, California Like-Kind Exchanges, or go to ftb.ca.gov and search for **like kind**.

Purpose

Use Form 593-C, Real Estate Withholding Certificate, to determine whether you qualify for a full or partial withholding exemption.

Qualifying for an exemption from withholding or being withheld upon does not relieve you of your obligation to file a California income tax return and pay any tax due on the sale of California real estate.

You may be assessed penalties if:

- You do not file a tax return.
- You file your tax return late.
- The amount of withholding does not satisfy your tax liability.

The seller or transferor must submit this form before the close of escrow to prevent withholding on the transaction. After escrow has closed, amounts withheld may be recovered only by claiming the withholding as a credit on the appropriate year's tax return.

How to Claim the Withholding

To claim the withholding credit, report the sale or transfer as required and enter the amount from line 5 of Form 593, Real Estate Withholding Tax Statement, on your California tax returns as real estate and other withholding from Form(s) 592-B or 593. Claim your withholding credit on one of the following:

- Form 540, California Resident Income Tax Return
- Form 540NR Long, California Nonresident or Part-Year Resident Income Tax Return
- Form 541, California Fiduciary Income Tax Return
- Form 100, California Corporation Franchise or Income Tax Return
- Form 100S, California S Corporation Franchise or Income Tax Return
- Form 100W, California Corporation Franchise or Income Tax Return – Water's-Edge Filers
- Form 109, California Exempt Organization Business Income Tax Return
- Form 565, Partnership Return of Income
- Form 568, Limited Liability Company Return of Income

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.

Part I – Seller or Transferor

Enter the name, tax identification number, and address of the seller or other transferor. If the seller or transferor does not provide a tax identification number, then Form 593-C is void, and withholding is required.

Note: If you choose to provide a copy of Form 593-C to the buyer, delete the seller's or transferor's tax identification number on the buyer's copy.

If the seller or transferor is an **individual**, enter the social security number (SSN) or individual taxpayer identification number (ITIN). If the sellers or transferors are spouses/registered domestic partners (RDPs) and plan to file a joint return, enter the name and SSN or ITIN for each spouse/RDP. Otherwise, **do not** enter information for more than one seller or transferor. Instead, complete a separate Form 593-C for each seller or transferor.

If you do not have an SSN because you are a nonresident or a resident alien for federal tax purposes, and the Internal Revenue Service (IRS) issued you an ITIN, enter the ITIN in the space provided for the SSN.

An ITIN is a tax processing number issued by the IRS to individuals who have a federal tax filing requirement and do not qualify for an SSN. It is a nine-digit number that always starts with the number 9.

If the seller or transferor is a business, enter the business name in the business name field along with the federal employer identification number (FEIN), CA Corporation number (CA Corp no.), or CA Secretary of State (CA SOS) file number.

If the seller or transferor is a **grantor trust**, enter the grantor's individual name and SSN. For tax purposes, the grantor trust is disregarded for tax purposes and the individual seller or transferor must report the sale and claim the withholding on their individual tax return. If the trust was a grantor trust that became irrevocable upon the grantor's death, enter the name of the trust and the trust's FEIN. **Do not enter the decedent's or trustee's name or SSN.**

If the seller or transferor is a **non-grantor trust**, enter the name of the trust and the trust's FEIN. **Do not enter trustee information.**

If the seller or transferor is a **single member limited liability company (SMLLC)**, enter the name and tax identification number of the single member.

For all other non-individual sellers or transferors, enter the FEIN, CA Corp no., or CA SOS file number.

Ownership Percentage

Enter your ownership percentage rounded to two decimal places (e.g. 66.67%). If you are on the title for incidental purposes and you have no financial ownership, enter 0.00 and skip to Seller or Transferor Signature. You will not be withheld upon.

Examples of sellers or transferors who are on title for incidental purposes are:

- Co-signers on title (e.g., parents co-signed to help their child qualify for the loan).
- Family members on title to receive property upon the owner's death.

Property Address

Enter the address (or parcel number and county) of the CA real property transferred.

Part II – Certifications That Fully Exempt Withholding

Line 1 – Principal Residence

To qualify as your principal residence under IRC Section 121, you (or the decedent) generally must have owned and lived in the property as your main home for at least two years during the five-year period ending on the date of sale. Military and Foreign Service, get FTB Pub. 1032, Tax Information for Military Personnel.

You can have only one main home at a time. If you have two homes and live in both of them, the main home is the one you lived in most of the time.

There are exceptions to the two-year rule if the primary reason you are selling the home is for a change in the place of employment, health, or unforeseen circumstances such as death, divorce or termination of registered domestic partnership, or loss of job, etc. For more information about what qualifies as your principal residence or exceptions to the two-year rule, get federal Publication 523, Selling Your Home. To get federal publications, go to irs.gov, or call 800.829.3676.

If only a portion of the property qualifies as your principal residence, a second Form 593-C will need to be completed to certify an exemption on the portion not used as a principal residence.

The allocation method should be the same as the seller or transferor used to determine depreciation.

Line 2 – Property last used as your principal residence

If the property was last used as the seller's, transferor's, or decedent's principal residence within the meaning of IRC Section 121 without regard to the two-year time period, no withholding is required. If the last use of the property was as a vacation home, second home, or rental, you do not qualify for the exemption. You must have lived in the property as your main home.

If you have two homes and live in both of them, the main home is the one you lived in most of the time.

Line 3 – Loss or Zero Gain

You have a loss or zero gain for California income tax purposes when the amount realized is less than or equal to your adjusted basis. You must complete Form 593-E, Real Estate Withholding – Computation of Estimated Gain or Loss, and have a loss or zero gain on line 16 to certify that the transaction is fully exempt from withholding.

You may not certify that you have a net loss or zero gain just because you do not receive any proceeds from the sale or because you feel you are selling the property for less than what it is worth.

Line 4 – Involuntary Conversion

The property is being involuntarily or compulsorily converted when both of the following apply:

- The California real property is transferred because it was (or threatened to be) seized, destroyed, or condemned within the meaning of IRC Section 1033.
- The seller or transferor intends to acquire property that is similar or related in service or use in order to be eligible for nonrecognition of gain for California income tax purposes.

Get federal Publication 544, Sales and Other Dispositions of Assets, for more information about involuntary conversions.

Line 5 – Non-recognition Under IRC Section 351 or 721

The transfer must qualify for nonrecognition treatment under IRC Section 351 (transferring to a corporation controlled by transferor) or IRC Section 721 (contributing to a partnership in exchange for a partnership interest).

Line 6 – Corporation

A corporation has a permanent place of business in this state when it is organized and existing under the laws of this state or it has qualified through the CA SOS to transact intrastate business. A corporation not qualified to transact intrastate business (such as a corporation engaged exclusively in interstate commerce) will be considered as having a permanent place of business in this state only if it maintains an office in this state that is permanently staffed by its employees after the sale.

S corporations must withhold on nonresident S corporation shareholders. Get FTB Pub. 1017, Resident and Nonresident Withholding Guidelines, for more information.

Line 7 – Partnership or Limited Liability Company (LLC)

Partnerships and LLCs are required to withhold on nonresident partners and members. For more information, get FTB Pub.1017.

Withholding is not required if the title to the property transferred is recorded in the name of a California partnership or it is qualified to do business in California.

Withholding is not required if the title to the property transferred is in the name of an LLC, and the LLC meets both of the following:

- It is classified as a partnership for federal and California income tax purposes.
- It is not a SMLLC that is disregarded for federal and California income tax purposes.

If the LLC meets these conditions, the LLC must still withhold on nonresident members. Get FTB Pub. 1017 for more information.

If the SMLLC is classified as a corporation for federal and California income tax purposes, then the seller or transferor is considered a corporation for withholding purposes. Refer to Line 6.

If the LLC is an SMLLC that is disregarded for federal and California income tax purposes, then that single member is considered the seller or transferor and title to the property is considered to be in the name of the single member for withholding purposes.

When completing Form 593-C as the single member of a disregarded LLC, write on the bottom of the form that the information on the form is for the single member of the LLC, so the Real Estate Escrow Person (REEP) will understand why it is different from the recorded title holder.

If the single member is:	Complete Form 593-C using:
An individual	The individual's information
A corporation	The corporation's information
A partnership	The partnership's information
An LLC	The single member's information

Line 8 – Tax-Exempt Entity

Withholding is not required if the seller or transferor is tax-exempt under either California or federal law (e.g., religious, charitable, educational, not for profit organizations, etc.).

Line 9 – Insurance Company, Individual Retirement Account, Qualified Pension or Profit-Sharing Plan, or Charitable Remainder Trust

Withholding is not required when the seller or transferor is an insurance company, individual retirement account, qualified pension or profit-sharing plan, or a charitable remainder trust.

Part III – Certifications That May Partially or Fully Exempt the Sale From Withholding

Complete Part III only if you did not meet any of the exemptions in Part II.

Line 10 – Simultaneous Exchange

If the California real property is part of a simultaneous like-kind exchange within the meaning of IRC Section 1031, the transfer is exempt from withholding. However, if the seller or transferor receives money or other property (in addition to property that is a part of the like-kind exchange) exceeding \$1,500 from the sale, the withholding agent must withhold.

Line 11 – Deferred Exchange

If the California real property is part of a deferred like-kind exchange within the meaning of IRC Section 1031, the sale is exempt from withholding at the time of the initial transfer. However, if the seller or transferor receives money or other property (in addition to property that is a part of the like-kind exchange) exceeding \$1,500 from the sale, the withholding agent must withhold.

The intermediary or accommodator must withhold on all cash or cash equivalent (boot) it distributes to the seller or transferor if the amount exceeds \$1,500.

If the exchange does not take place or if the exchange does not qualify for nonrecognition treatment, the intermediary or accommodator must withhold 3 $\frac{1}{3}$ % (.0333) of the total sales price.

Line 12 – Installment Sale

The withholding agent is required to report as 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.

The buyer is required to withhold on the principal portion of each subsequent installment payment if the sale is structured as an installment sale.

When the withholding amount on the first installment principal payment is sent to the FTB, the FTB must also receive a completed Form 593-I, Real Estate Withholding Installment Sale Acknowledgement, a completed Form 593, and a copy of the promissory note.

Seller or Transferor Signature

You must sign this form and return it to your REEP by the close of escrow for it to be valid. Otherwise, the withholding agent must withhold the full 3 $\frac{1}{3}$ % (.0333) of the total sales price or the optional gain on sale withholding amount from line 5 of Form 593 that is certified by the seller or transferor.

Penalty – Any seller or transferor who, for the purpose of avoiding the withholding requirements, knowingly executes a false certificate is liable for a penalty of \$1,000 or 20% of the required withholding amount, whichever is greater.

2015

Real Estate Withholding —
Computation of Estimated Gain or Loss

593-E

(You are required to complete this form if you claim an exemption due to a loss or zero gain or if you elect an optional gain on sale withholding amount.)

Part I - Seller or Transferor

Form with fields for Name, Spouse's/RDP's name, Address, City, State, ZIP Code, and Property address.

Part II - Computation

Computation lines 1-18 including Selling price, Selling expenses, Amount realized, Adjusted basis, and Total sales price withholding amount.

Seller or Transferor Signature

Signature area with title and escrow persons disclaimer, certification statement, and signature lines for Seller/Transferor and Spouse's/RDP's.

2015 Instructions for Form 593-E

Real Estate Withholding – Computation of Estimated Gain or Loss

References in these instructions are to the Internal Revenue Code (IRC) as of January 1, 2009, and to the California Revenue and Taxation Code (R&TC).

General Information

In general, for taxable years beginning on or after January 1, 2010, California law conforms to the Internal Revenue Code (IRC) as of January 1, 2009. However, there are continuing differences between California and federal law. When California conforms to federal tax law changes, we do not always adopt all of the changes made at the federal level. For more information, go to ftb.ca.gov and search for **conformity**. Additional information can be found in FTB Pub. 1001, Supplemental Guidelines to California Adjustments, the instructions for California Schedule CA (540 or 540NR), and the Business Entity tax booklets.

Purpose

Use Form 593-E, Real Estate Withholding – Computation of Estimated Gain or Loss, to estimate the amount of your gain or loss for withholding purposes and to calculate an optional gain on sale withholding amount. This form is used for sales closing in 2015.

The seller or transferor completes this form. Title and real estate escrow persons (REEP) and exchange accommodators are not authorized to provide legal or accounting advice for purposes of determining withholding amounts. Sellers or transferors are strongly encouraged to consult with a tax professional for this purpose.

Optional Gain on Sale Withholding Amount is the withholding amount calculated when the optional gain on sale election has been made by the seller or transferor, which includes providing a signature under penalty of perjury. The seller or transferor makes the election and provides the signature on Form 593-E. The withholding amount is calculated by multiplying the seller's or transferor's applicable tax rate by the estimated gain determined on Form 593-E.

You may use estimates when you complete this form, but the estimates must not result in the calculation of a loss when you actually have a gain. Any seller or transferor who, for the purpose of avoiding the withholding requirements, knowingly executes a false certificate is liable for a penalty of \$1,000 or 20% of the required withholding amount, whichever is greater.

This form is signed under penalty of perjury. The seller or transferor must keep this form for 5 years and provide it to the Franchise Tax Board (FTB) upon request. However, the seller or transferor is not required to provide this form to the withholding agent or buyer.

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.

Part I – Seller or Transferor

Enter the name, tax identification number, and address of the seller or other transferor.

If the seller or transferor is an **individual**, enter the social security number (SSN) or individual taxpayer identification number (ITIN). If the sellers or transferors are spouses/registered domestic partners (RDPs) and plan to file a joint return, enter the name and SSN or ITIN for each spouse/RDP. Otherwise, **do not** enter information for more than one seller or transferor.

Part II – Computation

Line 1 – Selling Price

The selling price is the total amount you will receive for your property. It includes money, as well as, all notes, mortgages, or other debts assumed by the buyer as part of the sale, plus the fair market value of any other property or any services you receive.

Line 2 – Selling Expenses

Selling expenses include commissions, advertising fees, legal fees, and loan charges that will be paid by the seller or transferor, such as loan placement fees or points.

Line 3 – Amount Realized

The amount realized is the selling price minus the selling expenses.

Line 4 – Purchase Price

If you acquired this property by purchase, enter your purchase price. Your purchase price includes the down payment and any debt you incurred; such as a first or second mortgage or promissory notes you gave the seller or transferor in payment for the property. If you acquired the property by gift, inheritance, exchange, or any way other than purchase, see How to Figure Your Basis.

Line 5 – Seller or Transferor-Paid Points

Points are charges paid to obtain a loan. They may also be called loan origination fees, maximum loan charges, loan discount, or discount points. If the seller or transferor paid points for you when you acquired the property, enter the amount paid by the seller or transferor on your behalf on line 5, unless you already subtracted this item to arrive at the amount for line 4.

Line 6 – Depreciation

Enter the amount of depreciation you deducted, or could have deducted, on your California income tax return for business or investment use of the property under the method of depreciation you chose. If you took less depreciation on your tax return than you could have under the method chosen, you must enter the amount you could have taken under that method. If you did not take a depreciation deduction, enter the full amount of depreciation you could have taken. Get federal Publication 946, How to Depreciate Property, for more information.

If you do not know how much depreciation you deducted or were allowed, you can make an estimate of the amount of depreciation (for withholding purposes only). To estimate the depreciation, divide the purchase price plus the cost of additions and improvements by 27.5 and multiply that by the number of years you used the property for business use (up to 27.5 years).

Example: Mary bought a house 20 years ago for \$150,000 and has used it as a rental property for the last 18 years. Prior to renting the house, she added a pool which cost her \$25,000. Mary's depreciation is estimated as follows:

Cost	\$150,000
Plus additions	25,000
Total	175,000
Divided by 27.5 =	6,364
Multiply by 18 years =	\$114,552

Mary's estimated depreciation to enter on line 6 is \$114,552.

Line 7 – Other Decreases to Basis

Include any other amounts that decrease your basis, such as:

- Casualty or theft loss deductions and insurance reimbursements.
- Energy credits claimed for the cost of energy improvements added to your basis.
- Payments received for granting an easement or right-of-way.

Line 10 – Additions and Improvements

These add to the value of your property, prolong its useful life, or adapt it to new uses. Examples include room additions, landscaping, new roof, insulation, new furnace or air conditioner, remodeling, etc. The cost of repairs may not be included unless they are part of an extensive remodeling or restoration project. **Do not** include any additions or improvements on line 10 that were included on line 4.

Line 11 – Other Increases to Basis

Include the amounts paid for any other items that increase the basis of the property, such as:

- Settlement fees and closing costs you incurred when you bought the property.
- The amount you paid for special assessments for items such as water connections, paving roads, and building ditches.
- The cost of restoring damaged property from a casualty loss, or cost of extending utility service lines to the property.

Line 14 – Passive Activity Losses

You may only use suspended passive activity losses that directly relate to the property sold. Other losses such as net operating losses, capital loss carry-forwards, stock losses, and passive activity losses from other properties cannot be used.

Line 16 – Estimated Gain or Loss on Sale

If you have a zero gain or loss, check the box on line 3 of Form 593-C, Real Estate Withholding Certificate. Complete and sign Form 593-C and give it to your REEP. You will not be subject to withholding on this sale. Keep Form 593-E for 5 years to document your calculations and provide to the FTB if requested.

If you have a gain, this is your estimated amount of gain on the sale of your California property. Go to line 17.

Line 17 – Optional Gain on Sale Withholding Amount

Multiply the amount on line 16 by the tax rate for the filing type selected and enter the amount on line 17. You may compare this amount to the

withholding amount on the total sales price shown on line 18. If you elect the optional gain on sale withholding amount on line 17, check the appropriate box on line 4 (Boxes B-G) for the Optional Gain on Sale Election, on Form 593, Real Estate Withholding Tax Statement, then transfer the amount on line 17 to Form 593, line 5. Sign Form 593 to certify the election. Keep Form 593-E for 5 years to document your calculations and provide to the FTB upon request.

Line 18 – Total Sales Price Withholding Amount

Multiply the selling price on line 1 by 3¹/₃% (.0333) and enter the amount on line 18. If you select the standard withholding amount on line 18, check Box A on line 4 of Form 593, and transfer the amount on line 18 to Form 593, line 5.

How to Figure Your Basis

The cost or purchase price of property is usually its basis for figuring gain or loss from its sale or other disposition. However, if you acquired the property by gift, inheritance, exchange, or in some way other than purchase, you must use a basis other than its cost. The following instructions only reflect the general rules. Exceptions may apply. Get federal Publication 551, Basis of Assets, for more information. Sellers or transferors are strongly encouraged to consult with a tax professional for this purpose.

How Property Was Received	How to Figure Your Basis
Property was received as a gift	Usually, your basis is the donor's adjusted basis at the time of the gift. Enter the donor's adjusted basis on line 4. Then complete the rest of the form (except line 5) with your information after you received the property. If the fair market value (FMV) of the property at the time of the gift was less than the donor's adjusted basis, get federal Publication 551 to determine your basis.
Property was inherited from someone other than your spouse/RDP	Usually, your basis is the FMV at the date of the individual's death. You can get that valuation from the probate documents, or if there was no probate, use the appraised value at the date of death. Enter the FMV on line 4. Then complete the rest of the form (except line 5) with your information after you received the property. If you or your spouse/RDP originally gave the property to the decedent within one year of the decedent's death, get federal Publication 551 to determine your basis.
You owned the property (as community property) with your spouse/RDP who died	Your basis is the FMV of the total property at the date of your spouse's/RDP's death. Enter the FMV on line 4. Then complete the rest of the form (except line 5) with your information after the date of death.
You owned the property (in joint tenancy) with your spouse/RDP who died	Your basis is the sum of: 1) the FMV of your spouse's/RDP's half of the property at the date of your spouse's/RDP's death; and, 2) the existing basis of your half of the property at the date of your spouse's/RDP's death. Enter the sum on line 4. Then complete the rest of the form (except line 5) with your information after the date of death.
Property received from your spouse/RDP in connection to your divorce/termination of registered domestic partnership	Usually, your basis is the same as it would have been without this transfer. Complete Form 593-E as if you had been the only owner before and after the transfer. If your spouse/RDP transferred the property to you before July 18, 1984, get federal Publication 551 to determine your basis.
Property received in exchange for other property	Your basis will depend on whether you received the property in a nontaxable, taxable, or partially taxable exchange. Get federal Publication 551 to determine your basis. Enter your basis on line 4. Then complete the rest of the form. However, do not include any amounts on line 5 through line 10 that you included on line 4.
You built the house (or other improvements) on the property being sold	Add the purchase price of the land and the cost of the building. Enter the total on line 4 and complete the rest of the form. If you deferred the gain from a previous home to this property, get federal Publication 551.
You received the property in a foreclosure	Enter your basis in the property after the foreclosure on line 4. (You may need to get a tax professional to help you with this calculation). Then complete the rest of the form (except for line 5) with your information after the foreclosure.

How to Get California Tax Information

Additional Information

For additional information or to speak to a representative regarding these forms, 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