

Instructions for Form 593-I

Real Estate Withholding Installment Sale Acknowledgment

What's New

For taxable years beginning January 1, 2010, use Form 593-V, Payment Voucher for Real Estate Withholding, to submit real estate withholding payments. **Do not** use Form 593, Real Estate Withholding Tax Statement, or Form 593-I, Real Estate Withholding Installment Sale Acknowledgment, to remit payments.

General Information

Installment Sales – For installment sales occurring on or after January 1, 2009, buyers are required to withhold on the principal portion of each installment payment if the sale of California real property is structured as an installment sale.

Registered Domestic Partners (RDP) – Under California law RDPs must file their California income tax returns using either the married/RDP filing jointly or married/RDP filing separately filing status. RDPs have the same legal benefits, protections, and responsibilities as married couples unless otherwise specified. If you entered into a same-sex legal union in another state, other than a marriage, and that union has been determined to be substantially equivalent to a California registered domestic partnership, you are required to file a California income tax return using either the married/RDP filing jointly or married/RDP filing separately filing status.

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.

Purpose

When California real estate is sold on an installment basis, the buyer is required to withhold on the principal portion of each installment payment, an amount based on either 3 1/3% (.0333) of the total sales price, or the Optional Gain on Sale withholding amount from Form 593, line 5, which is certified by the seller. There is no withholding on the interest portion of the installment payment.

If you are the buyer, you must withhold on the principal portion of each installment payment and complete Form 593-I. Have your real estate escrow person send the completed Form 593-I, a copy of the promissory note, the seller's certified Form 593, and Form 593-V, to the Franchise Tax Board (FTB) with the withholding on the principal portion of the first installment payment.

The withholding agent retains this form for a minimum of five years and must provide it to the FTB upon request.

Specific Instructions

Buyer Instructions

Complete all four parts of Form 593-I.

Part I – Buyer's Information

Enter your name as it is shown on the escrow instructions. Each buyer is required to withhold on individual payments and must complete a separate Form 593-I. However, if you are purchasing the property with your spouse/RDP and both of you will be on the promissory note, then include both of your names, social security numbers (SSNs) or individual taxpayer identification numbers (ITINs), and signatures on one form. If the buyer is a business, enter the business name in the business name field. The buyer's identification number (SSN, ITIN, federal employer identification number (FEIN), CA corporation (Corp) no., or Secretary of State (SOS) file no.) is required on each form to be valid.

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 II – Seller's Information

Enter the seller's name as it is shown on the escrow instructions. Use a separate Form 593-I for each seller included on the promissory note. However, if the sellers are spouses/RDPs and both of them will be on the promissory note, then include both of their names and SSNs or ITINs on one form. If the seller is a business, enter the business name in the business name field.

The seller's identification number (SSN, ITIN, FEIN, CA Corp no., or SOS file no.) is required on each form to be valid.

If the seller is electing the Optional Gain on Sale withholding amount, ask the seller to provide you the installment withholding percentage that the seller calculated in the instructions for the Form 593. Include this installment withholding percentage in the appropriate box and use this percentage as part of the calculation for withholding on the principal portion of each installment payment.

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 III – Installment Acknowledgment

Attach a copy of the signed promissory note to Form 593-I, and the seller's signed certification of Form 593.

Part IV – Buyer's Agreement to Withhold

By signing Part IV, you acknowledge that you will:

- Withhold on the principal portion of each installment payment.
- Authorize the real estate escrow person to withhold the required amount only on the first installment payment.
- Withhold 3 1/3% (.0333) or the Optional Gain on Sale withholding percentage, as specified by the seller on Form 593, on the principal portion of all subsequent installment payments.
- Give one copy of Form 593 to the seller by the 20th day of the month following the month of the installment payments.
- Send each withholding payment, with Form 593-V, and the completed Form 593 to the FTB by the 20th day of the month following the month of the installment payment (you **do not** need to obtain seller's signature on each subsequent and completed Form 593).
- Promptly inform the FTB if the terms of the installment sale, promissory note, or payment schedule change.

Make sure you copy all pages so you will have the instructions for withholding on subsequent payments. Give the original, with a copy of the promissory note, and a completed Form 593, to your real estate escrow person. When you make subsequent installment payments, withhold either 3 1/3% (.0333) of the total sales price, or Optional Gain on Sale withholding percentage, as specified by the seller on Form 593, on the principal portion of each installment payment. **Mail withholding payments with Form 593-V, and a completed Form 593 for each withholding payment.** When you send the withholding on the final installment payment, write “Final Installment Payment” on the bottom of Form 593.

We update our forms annually. Make certain you use the most current form. For more information on withholding on installment payments, see the instructions for Form 593 or call Withholding Services and Compliance at 888.792.4900 or 916.845.4900.

Real Estate Escrow Person Instructions

Make a copy of this form for your records. Send the completed original Form 593-I, a copy of the promissory note, the seller's certified Form 593, and Form 593-V, with the required withholding amount on the first installment payment to the FTB. Get Form 593 instructions for more information.

Interest and Penalties

Interest will be assessed on late withholding payments and is computed from the due date to the date paid. If the real estate escrow person does not notify the buyer of the withholding requirements in writing, the penalty is the greater of \$500 or 10% of the required withholding.

If the buyer (after notification) or other withholding agent does not withhold, the penalty is the greater of \$500 or 10% of the required withholding.

If the buyer or other withholding agent does not furnish complete and correct copies of Form 593 to the seller by the due date, the penalty is \$50 per Form 593. If the failure is due to an intentional disregard of the requirement, the penalty is the greater of \$100 or 10% of the required withholding.

If the buyer or other withholding agent does not furnish complete and correct copies of Form 593 to the FTB by the due date but does file them within 30 days of the due date, the penalty is \$15 per Form 593. If Form 593 is filed more than 30 days but less than 180 days after the due date, the penalty is \$30 per Form 593. If Form 593 is filed more than 180 days after the due date, the penalty is \$50 per Form 593. If the failure is due to an intentional disregard of the requirement, the penalty is the greater of \$100 or 10% of the required withholding.

Additional Information

To get withholding forms or publications, or to speak to a representative, contact our Withholding Services and Compliance's automated 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 personas con
discapacidades auditivas y del
habla