

YEAR  
**2010**

# Real Estate Withholding - Computation of Estimated Gain or Loss

CALIFORNIA FORM  
**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.)

Name	Seller or Transferor: SSN or ITIN - -	
Spouse's/RDP's Name (if jointly owned)	Spouse's/RDP's SSN or ITIN (if jointly owned)	
Address (including suite, room, PO Box, or PMB no.)	<input type="checkbox"/> FEIN	<input type="checkbox"/> CA Corp. No.
City	State	ZIP Code
Property address (if not street address, provide parcel number and county)		

**1 Selling price** ..... **1** \_\_\_\_\_

**2 Selling expenses** ..... **2** \_\_\_\_\_

**3 Amount Realized.** Subtract line 2 from line 1 ..... **3** \_\_\_\_\_

**4 Enter the price you paid to purchase the property (If you acquired the property other than by purchase, see instructions. How To Figure Your Basis When You Did Not Purchase the Property)** ..... **4** \_\_\_\_\_

**5 Seller-paid points** ..... **5** \_\_\_\_\_

**6 Depreciation** ..... **6** \_\_\_\_\_

**7 Other decreases to basis** ..... **7** \_\_\_\_\_

**8 Total decreases to basis.** Add line 5 through line 7 ..... **8** \_\_\_\_\_

**9 Subtract line 8 from line 4** ..... **9** \_\_\_\_\_

**10 Cost of additions and improvements** ..... **10** \_\_\_\_\_

**11 Other increases to basis** ..... **11** \_\_\_\_\_

**12 Total increases to basis.** Add line 10 and line 11 ..... **12** \_\_\_\_\_

**13 Adjusted basis.** Add line 9 and line 12 ..... **13** \_\_\_\_\_

**14 Enter any suspended passive activity losses from this property** ..... **14** \_\_\_\_\_

**15 Add line 13 and line 14** ..... **15** \_\_\_\_\_

**16 Estimated Gain or Loss on Sale.** Subtract line 15 from line 3 and enter the amount here. If you have a loss or zero gain, skip lines 17 and 18. Complete the Seller's Signature area below and check the Yes box on Form 593-C, line 3. If you have a gain, go to line 17. **16** \_\_\_\_\_

**17 Optional Gain on Sale Withholding Amount.** Check the applicable box for the filing type.  
 Individual 9.55%       Corporation 8.84%       Bank and Financial Corporation 10.84%  
 Non-California Partnership 9.55%       S Corporation 11.05%       Financial S Corporation 13.05%  
 Multiply the amount on line 16 by the tax rate for the filing type selected above and enter the result on line 17.  
 This is the optional gain on sale withholding amount.  
 If you elect the optional gain on sale withholding amount on line 17, go to Form 593 and check the appropriate box on line 4 (Boxes B-G) for the Optional Gain on Sale Election, and transfer the amount on line 17 to Form 593, line 5.  
 Sign Form 593 to certify the election ..... **17** \_\_\_\_\_

**18 Total Sales Price Withholding Amount.** Multiply the selling price on line 1 by 3-1/3% (.0333) and enter the amount on line 18.  
 This is the total sales price withholding amount.  
 If you select the total sales price withholding amount on line 18, check Box A "3 1/3% (.0333) x Total Sales Price" on line 4 of Form 593, and transfer the amount on line 18 to Form 593, line 5 ..... **18** \_\_\_\_\_

### Seller's Signature

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 hereby certify that the information provided above is, to the best of my knowledge, true and correct. 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 and if conditions change, I will promptly inform the withholding agent. I understand that completing this form does not exempt me from filing a California income tax return to report this sale.

Seller's Name \_\_\_\_\_

Seller's Signature \_\_\_\_\_ Date: \_\_\_\_\_

Spouse's/RDP's Name (if jointly owned) \_\_\_\_\_

Spouse's/RDP's Signature (if jointly owned) \_\_\_\_\_ Date: \_\_\_\_\_

# 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, 2005, and to the California Revenue and Taxation Code (R&TC).

### 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 2009 and can be used by both individual and non-individual sellers.

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

### Who can complete this form?

The seller 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 are strongly encouraged to consult with a competent tax professional for this purpose.

### How can you get federal publications?

Internet: [irs.gov](http://irs.gov)  
Phone: 800.829.1040

### Specific Instructions

#### 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, 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 in payment for the property. If you acquired the property by gift, inheritance, exchange, or any way other than purchase, see instructions, How To Figure Your Basis When You Did Not Purchase the Property.

#### Line 5 - Seller-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 paid points for you when you acquired the property, enter the amount paid by the seller 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 that 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, if you need more information.

**Depreciation Option** - 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 being 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 Form 593-C, line 3. 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, 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 FTB upon request.

#### Line 18 - Total Sales Price Withholding Amount

Multiply the selling price on line 1 by 3 1/3% 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 When You Did Not Purchase the Property

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 are strongly encouraged to consult with a competent tax professional for this purpose.

How Property Was Received	How to Determine Your Basis
Property was received as a gift	<p>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.</p> <p>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.</p>
Property was inherited from someone other than your spouse/RDP	<p>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.</p> <p>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.</p>
You owned the property (as community property) with your spouse/RDP who died	<p>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.</p>
You owned the property (in joint tenancy) with your spouse/RDP who died	<p>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.</p>
Property received from your spouse/RDP in connection to your divorce/termination of registered domestic partnership	<p>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.</p> <p>If your spouse/RDP transferred the property to you before July 18, 1984, get federal Publication 551 to determine your basis.</p>
Property received in exchange for other property	<p>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.</p>
You built the house (or other improvements) on the property being sold	<p>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.</p> <p>If you deferred the gain from a previous home to this property, get federal Publication 551.</p>
You received the property in a foreclosure	<p>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.</p>

## How to Get California Tax Information

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### Additional Information

To get a withholding form or publication, or to speak to a representative, contact our Withholding Services and Compliance's automated telephone services at:

**888.792.4900**, or  
916.845.4900 (not toll-free)  
FAX 916.845.9512

Or write to:

WITHHOLDING SERVICES AND COMPLIANCE  
FRANCHISE TAX BOARD  
PO BOX 942867  
SACRAMENTO CA 94267-0651

For more information on requirements to file a California tax return or to get forms call:

From within the United States ..... 800.852.5711  
From outside the United States ..... 916.845.6500  
(not toll-free)

You can download, view, and print California tax forms and publications from our website 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

### Assistance for Persons with Disabilities

We comply with the Americans Disabilities Act. Persons with hearing or speech impairments, call:

TTY/TDD ..... 800.822.6268

### Asistencia Telefonica y en el Internet

Dentro de los Estados Unidos, llame al ..... 800.852.5711  
Fuera de los Estados Unidos, llame al ..... 916.845.6500  
(cargos aplican)

Sitio web: **ftb.ca.gov**

### Asistencia para Personas Discapacitadas

Nosotros estamos en conformidad con el Acta de Americanos Discapacitados. Personas con problemas auditivos o de habla pueden llamar al TTY/TDD 800.822.6268.