YEAR **2014**

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.)

Part I – Seller or Transferor

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.)	☐ FEIN ☐ CA Corp no. ☐ CA SOS file no.
City (If you have a foreign address, see instructions.)	State / ZIP Code
Property address (if no street address, provide parcel number and county)	

Part II – Computation

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.) . . . . . 4 ______

5 Seller or Transferor-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 or Transferor Signature area below and check the box on Form 593-C, Real Estate Withholding Certificate, Part II 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 12.3% ☐ Corporation 8.84% ☐ Bank and Financial Corporation 10.84%

☐ Non-California Partnership 12.3% ☐ S Corporation 13.8% ☐ Financial S Corporation 15.8%

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, get Form 593, Real Estate Withholding Tax Statement, 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 or Transferor 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. 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 ______ Seller's/Transferor's Signature ______ Date ______

It is unlawful to forge a spouse's/RDP's signature.

Spouse's/RDP's Name (if jointly owned) ______

Spouse's/RDP's Signature (if jointly owned) ______ Date ______

Reset Form

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 2014.

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.