

# NOTIFICATION TO BUYER ON DISPOSITION OF CALIFORNIA PROPERTY

In accordance with Section 18662 of the Revenue and Taxation Code, a Buyer may be required to withhold an amount equal to 3½ percent of the sale price or an alternative withholding amount certified by the Seller in the case of a disposition of California real property interest by either:

1. A Seller who is an individual, trust, estate, or when the disbursement instructions authorize the proceeds to be sent to a financial intermediary of the Seller, OR
2. A Corporate Seller that has no permanent place of business in California immediately after the transfer of title to the California property.

The Buyer may become subject to penalty for failure to withhold an amount equal to the greater of 10 percent of the amount required to be withheld or five hundred dollars (\$500).

However, notwithstanding any other provision included in the California statutes referenced above, no Buyer will be required to withhold any amount or be subject to penalty for failure to withhold if any of the following apply:

1. The sale price of the California real property conveyed does not exceed one hundred thousand dollars (\$100,000).
2. The Seller executes a written certificate, under the penalty of perjury, certifying that the Seller is a corporation with a permanent place of business in California.
3. The Seller, who is an individual, trust, estate, or a corporation without a permanent place of business in California, executes a written certificate, under the penalty of perjury, of any of the following:

**A.** The California real property being conveyed is the Seller's or Decedent's principal residence (within the meaning of Section 121 of the Internal Revenue Code)

**B.** The last use of the property being conveyed was use by the Transferor as the Transferor's principal residence (within the meaning of Section 121 of the Internal Revenue Code).

**C.** The California real property being conveyed is or will be exchanged for property of like kind (within the meaning of Section 1031 of the Internal Revenue Code), but only to the extent of the amount of gain not required to be recognized for California income tax purposes under Section 1031 of the Internal Revenue Code.

**D.** The California real property has been compulsorily or involuntarily converted (within the meaning of Section 1033 of the Internal Revenue Code) and that the Seller intends to acquire property similar or related in service or use so as to be eligible for nonrecognition of gain for California income tax purposes under Section 1033 of the Internal Revenue Code.

**E.** The California real property transaction will result in a loss or net gain not required to be recognized for California income tax purposes.

The Seller is subject to penalty for knowingly filing a fraudulent certificate for the purpose of avoiding the withholding requirement.



## CHICAGO TITLE

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THE PARTIES TO A TRANSACTION SHOULD SEEK THE PROFESSIONAL ADVICE AND COUNSEL OF AN ATTORNEY, ACCOUNTANT OR OTHER TAX SPECIALIST'S OPINION CONCERNING THE EFFECT OF THIS LAW ON A TRANSACTION AND SHOULD NOT ACT ON ANY STATEMENTS MADE OR OMITTED BY THE ESCROW OR CLOSING OFFICER.