

Real Estate Withholding — Computation of Gain or Loss

Adjusted Basis of the Property Sold — Property address (if no street address, provide parcel number and county)

Caution: If you acquired the property other than by purchase, see Table 1 on page 6 before you use this form.

1 Enter the purchase price of the property being sold	1 _____
2 Seller-paid points. (These are the points that the seller paid for you when you purchased the property. Do not include any seller-paid points you already subtracted to arrive at the amount entered on line 1, above.)	2 _____
3 Subtract line 2 from line 1	3 _____
4 Settlement fees or closing costs.	
a Abstract and recording fees	a _____
b Legal fees (including title search and preparing contract and deed)	b _____
c Surveys	c _____
d Title insurance	d _____
e Transfer or stamp taxes	e _____
f Amounts the seller owed that you agreed to pay without reimbursement (back taxes or interest, recording or mortgage fees, and sales commissions)	f _____
g Other	g _____
5 Add line 4a through line 4g	5 _____
6 Basis. Add line 3 and line 5	6 _____
7 Cost of additions and improvements. Do not include any additions and improvements included on line 1, above	7 _____
8 Special tax assessments paid for local improvements, such as streets and sidewalks	8 _____
9 Other increases to basis	9 _____
10 Add line 6 through line 9	10 _____
11 Depreciation related to business use of the property. Enter the greater of: 1) the amount you claimed on your California income tax returns or 2) the amount you could have claimed for the years of business use	11 _____
12 Other decreases to basis	12 _____
13 Add line 11 and line 12	13 _____
14 Adjusted Basis of the property sold. Subtract line 13 from line 10. Enter here and on line 18	14 _____

Gain or Loss on the Sale

15 Selling price of the property in the current sale	15 _____
16 Selling expenses	16 _____
17 Amount Realized. Subtract line 16 from line 15	17 _____
18 Adjusted basis of the property from line 14	18 _____
19 If line 17 is larger than line 18, subtract line 18 from line 17. You have a gain on the sale. (You must check the "NO" box on Form 593-C, line 3. Escrow will withhold 3 1/3 percent of the full sales price.)	19 _____
20 If line 18 is larger than line 17, subtract line 17 from line 18. You have a loss on the sale. (Check the "YES" box on Form 593-C, line 3.)	20 _____

Seller's 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 completing this form does not exempt me from filing a California income tax return to report this sale.

Seller's name (type or print) _____

Spouse's name (if on title) _____

Seller's signature _____ Date: _____

Spouse's signature (if applicable) _____ Date: _____

Instructions for Form 593-L

Real Estate Withholding – Computation of Gain or Loss

Purpose:

Use this form if you believe you may have a loss on the sale of your property for California income tax purposes.

What is a gain or loss for tax purposes?

The gain or loss for tax purposes is the gain or loss from the sale of this property that you will report on your California income tax return.

- If the sales price (less selling expenses) is more than your adjusted basis, you have a **gain** on the sale.
- If your adjusted basis is more than the sales price (less selling expenses), you have a **loss** on the sale.

What is your basis for 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. For more information, see Table 1 on page 6. You may also get federal Publication 551, *Basis of Assets*, or federal Publication 544, *Sales and Other Dispositions of Assets*.

What is your adjusted basis for the property?

The adjusted basis of property is:

Your original cost or other basis

Plus: Certain additions and improvements

Minus: Certain decreases (e.g., depreciation and casualty losses)

Equals: Adjusted Basis

How can you get federal publications?

Internet: www.irs.gov

Phone: (800) 829-1040

Mail: Western Area Distribution Center
Rancho Cordova CA 95743-0001

Line-by-line Instructions:

Line 1 – Purchase Price. If you acquired this property by purchase, enter your purchase price. Your purchase price includes the down payment and any debt; 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 the instructions in Table 1 on page 6 before continuing.

Line 2 – 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 2, unless you already subtracted this item to arrive at the amount for Line 1.

Line 4 – Settlement Fees or Closing Costs. Enter the settlement fees and closing costs you incurred when you bought the property. You cannot include fees and costs for getting a loan on the property. A fee for buying the property is any fee you would have to pay even if you paid cash for the property. Settlement fees **do not include** amounts placed in escrow for the future payment of items such as taxes and insurance.

Line 7 – 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.

Line 8 – Assessments for Local Improvements. Enter the amount paid for special assessments for items such as water connections, paving roads, and building ditches that increase the property value.

Line 9 – Other Increases to Basis. Include the amounts paid for any other items that increase the basis of the property, such as the cost of restoring damaged property from a casualty loss, or cost of extending utility service lines to the property.

Line 11 – Depreciation. Enter the amount of depreciation you deducted, or could have deducted, on your tax returns 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*, if you need more information.

Line 12 – 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, or

- Payments received for granting an easement or right-of-way.

Line 15 – Selling Price. The selling price is the total amount you receive for your property. It includes money, 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 16 – Selling Expenses. Selling expenses include commissions, advertising fees, legal fees, and loan charges paid by the seller, such as loan placement fees or points.

Line 17 – Amount Realized. The amount realized is the selling price minus the selling expenses.

Line 19 – Gain on Sale. If the amount realized (Line 17) is more than the adjusted basis (Line 18), the difference is your gain on the sale. You must check the “NO” box on Form 593-C, Line 3. You will be subject to the full 3 $\frac{1}{3}$ percent withholding on the total sales price.

Line 20 – Loss on Sale. If the amount realized (Line 17) is less than the adjusted basis (Line 18), the difference is your loss on the sale. Check the “YES” box on Form 593-C, Line 3. Sign and attach this Form 593-L to Form 593-C and give both forms to your escrow officer. You will not be subject to withholding on this sale.

Table 1. How to Complete Form 593-L When You Did Not Purchase the Property

(Note: These procedures only reflect the general rules. Exceptions may apply. Get federal Publication 551, *Basis of Assets*, for more information on these or other special situations.)

Property was received as a gift	<p>Usually, your basis is the donor’s adjusted basis at the time of the gift. Skip line 1 through line 5 and enter the donor’s adjusted basis on line 6. Then complete the rest of the form with your information after you received the property.</p> <p>Note: If the fair market value 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	<p>Usually, your basis is the fair market value at the date of the individual’s death. You can get that valuation from probate documents, or if there was no probate, use the appraised value at the date of death. Skip line 1 through line 5 and enter the fair market value on line 6. Then complete the rest of the form with your information after you received the property.</p> <p>Note: If you or your spouse 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 who died	<p>Your full basis is the fair market value of the total property at the date of your spouse’s death. Skip line 1 through line 5 and enter the fair market value on line 6. Then complete the rest of the form with your information after the date of death.</p>
You owned the property (in joint tenancy) with your spouse who died	<p>Your basis is the sum of: 1) the <u>fair market value</u> of your spouse’s half of the property at the date of your spouse’s death; and, 2) the <u>existing basis</u> of your half of the property at the date of your spouse’s death. Skip line 1 through line 5 and enter the sum on line 6. Then complete the rest of the form with your information after the date of death.</p>
Property received from your spouse incident to your divorce	<p>Usually, your basis is the same as it would have been without this transfer. Complete Form 593-L as if you had been the only owner before and after the transfer.</p> <p>Note: If your spouse 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 1. Then complete the rest of Form 593-L. However, do not include any amounts in line 2 through line 5 that you included in line 1.</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 1 of Form 593-L and complete the rest of the form.</p> <p>Note: If you deferred the gain from a previous home to this property, get federal Publication 551.</p>