

# 593 FORM | 2020 UPDATE

## NEW UPDATES AND REGULATIONS

The law did not change, but the forms changed in 2020, combining the original 4 different forms (593C, 593E, 593I, 593) into one 593 Real Estate Withholding Statement.

### WITHHOLDING AMOUNT

The standard Withholding Amount is 3.33% of the Sale Price.

An Alternative Withholding Amount can be computed by completing Part VI (Computation) and then checking the proper box under item #29 and #30.

Settlement Agents: Do not round off decimal points. Calculate based on 3.33% or the Alternative Calculation and keep the decimal points. You can send in an amount that is more than the standard Withholding or Alternative Amount, but you must not send in less or it will be rejected.

Sellers: You may request that the Settlement Agent send in a Withholding Amount for you, even though it is not required by regulation. This amount will be considered a "prepayment" of your income tax return to be filed for the year.

### WHOSE RESPONSIBILITY IS IT TO COMPLETE THE FORMS?

It may be the Settlement Agent who provides the forms and does the withholding, but it is the Seller's responsibility to complete the forms correctly and seek independent financial and legal counsel.

As the forms state, "title and escrow persons, exchange accommodators are not authorized to provide legal or accounting advice on the withholding amounts".

### MUST SETTLEMENT AGENTS VERIFY THAT CERTIFICATES ARE COMPLETED CORRECTLY?

If the Settlement Agent has actual knowledge that the form is not completed correctly, then the form must be rejected and returned to the Seller.

If Settlement Agent has no knowledge of the facts, then they can only verify that the certificates are completed and signed.

For instance, if Settlement Agent has no knowledge if the property is truly the principal residence, they can only receive in the form as given by the Seller.

However, if the Seller claims it is a partnership, but the title on the property clearly states that it is under individuals, then this is actual knowledge and Settlement Agents cannot accept a 593 that is filled out incorrectly.

Please note: the 593 form is completed under penalties of perjury. Perjury means to willfully make a false statement.

***Please Note: Inter Valley Escrow recommends that you consult with a tax professional.***