

WRAPPING up real estate withholding — state by state

There are 16 states with some type of state withholding requirements or reporting for nonresident sellers. Those states are:

STATE:	WITHHOLDING RATES:
ALABAMA	3% of the sales price withheld for individuals and 4% of the sales price withheld for business entities
CALIFORNIA	3.33% of the sales price withheld if the property is more than \$100,000
COLORADO	2% of the sales price if the property is more than \$100,000
GEORGIA	3% of the sales price if the property is more than \$20,000
HAWAII	5% of the sales price
MAINE	2.5% of the sales price if the property sold is more than \$50,000
MARYLAND	8% by nonresident individual and 8.25% by nonresident entity
MISSISSIPPI	5% of the sales price if the property sold is more than \$100,000
NEW JERSEY	Nonresident individuals, estates and trusts are subject to paying a minimum of 2% of the consideration stated in the deed
NEW YORK	8.97% on the gain from sales of real property
NORTH CAROLINA	4% of the sales price
OREGON	The lesser of 4% of the consideration or 8% of the gain or proceeds
RHODE ISLAND	6% of the sales price for nonresident individuals and 9% for nonresident corporations
SOUTH CAROLINA	7% for individuals and 5% for corporations
WEST VIRGINIA	2.5% of the sale proceeds or estimated capital gain
VERMONT	2.5% of the sales price

Did you notice a lot of the states are hot spots for vacation homes? They are the states which have beachside properties or nearby ski slopes. Many of these states realized they had homeowners who were not full-time residents and, therefore, had no incentive to file a tax return to report the gain on the sale of the real property. Real estate withholding provides the incentive by ensuring the state receives a prepayment on the estimated tax due.



In all instances, all the seller must do is file a tax return in that state to properly report the gain on the sale and obtain a refund of any amounts they are due. It is not simply a tax for non-residents to pay when they sell.

Fun Fact: Our country is not the only one that taxes nonresidents at the time of sale. In Canada, when the seller is a nonresident, they are subject to as much as 25% of the sales price withheld at closing.

Investing in real estate can be profitable or expensive if you do not know the requirements of each state or country where the property is located. Be sure to fully investigate or consult with qualified individuals prior to investing and selling to ensure it makes sense for you.

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