



Franchise Tax Board (FTB) of California is now enforcing a 7% withholding tax on all property owners that live outside of California. This law is not new, but what is new is that FTB is requiring all rental property managers to collect this tax and remit it to the FTB on form 592. There are three options for the owner:

- 1) ***Form 588 Non Resident Withholding Waiver Request.*** The FTB indicates that if the rents exceed \$1,500 per calendar year then tax must be withheld at a rate of 7%. This tax must be remitted quarterly by the withholding agent (property manager). Pathmark as a service to their client will apply for a waiver from withholding by completing the 588 form. A signature is required and a current mailing address for the FTB to mail back the acceptance. (a waiver acceptance letter) On this form, the owner must certify that property owner has filed a California Tax Return for the past two years. In addition, the owner must be current on their California Tax obligations. However, until the letter of acceptance is issued by the FTB, Pathmark is obligated to withhold the 7% until this letter is received.
- 2) ***Form 589 Nonresident Reduced Withholding Request.*** On this form, Pathmark will calculate the estimated expenses and submit this form to the FTB along with a payment on Form 592.
- 3) ***Form 590 Withholding Exemption*** is filed which exempts the owner because the property is owned by a California State Corporation, is a LLC an estate, trust or other registered entity.

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