



# ESCROW DOCUMENTS AND INCOME TAXES

The following closing documents are the most common tax documents a new homeowner or seller might receive from escrow. Save these documents for your tax professional.

## Closing Statement

The final closing statement is provided by escrow at closing. The final closing statement provides a picture of all the closing costs, incoming and outgoing funds in the transaction. Providing your tax professional with the final closing statement will help them determine what can be deducted from federal and state income taxes.

## Federal Requirements

The Internal Revenue Service (IRS) requires reporting of certain information related to sales of real property. Reportable transactions include sales and exchanges of properties including, but not limited to, houses, townhouses, condominiums, stock in cooperative housing corporations and mobile homes without wheels.

## Federal 1099-S

The escrow officer will ask the seller to complete a Certificate for Information Reporting for the 1099-S form. The seller is required to provide their correct taxpayer identification number (social security number), the closing date of the transaction and gross proceeds of the transaction. A hard copy of the form is included in the seller's closing documents.

## California Requirements

California requires that certain sellers "prepay" required state taxes through withholding of a percentage of the sale proceeds.

## California Form 593

Real estate withholding forms and instructions have been consolidated into one form, Form 593, Real Estate Withholding Statement.

Form 593, Real Estate Withholding Statement is used to:

- Report real estate withholding on sales.
- Certify the seller/transferor qualifies for a full, partial, or no withholding exemption.
- Estimate the amount of the seller's/transferor's loss or zero gain for withholding purposes and to calculate an alternative withholding calculation amount.