

Withholding Tax - Real Estate

What is the income tax withholding on the sale of real estate?

Corporations that do not maintain a permanent place of business in Colorado, nonresident individuals, estates and trusts are subject to Colorado income tax withholding on the sales of Colorado real estate in excess of \$100,000. The withholding tax, if required, will be the smaller of

- a. two percent (2%) of the sales price to the nearest dollar, or
- b. the net proceeds from the sale to the nearest dollar. (“Net proceeds from the sale” means the net amount that would otherwise be due to the seller on the settlement sheet.)

The tax is withheld at the time of closing by the title insurance company, its agent, or any other person providing closing and settlement services. The tax is submitted to the Colorado Department of Revenue, where it will be credited to the seller’s income tax account as an estimated tax payment. The seller can claim credit for the estimated payment against the income tax liability when filing a Colorado income tax return for the year of the sale. Taxpayers must file a Colorado income tax return to claim the estimated payment credit.