



10/26/2009

To: Jackson Group Property Management Property Owners

RE: State of California Franchise Tax Board Mandatory 7% Withholding of Rents

In January of 2009 the Franchise Tax Board (FTB) for the State of California (being in a very difficult financial state) began to enforce California Revenue and Taxation Code Section 18662 18668 and 17951 in a new way that may affect you. For more information please go to: [http://www.ftb.ca.gov/individuals/wsc/decision\\_chart.shtml](http://www.ftb.ca.gov/individuals/wsc/decision_chart.shtml)

For some of our clients the rents collected will be subjected to a 7% withholding beginning January 1 2010 and paid to the state on a quarterly basis. The State does require that we have forms on file for all our clients regardless of their residency status. Included with this letter is the FTB Publication explaining all forms and the process.

If you are a resident of California or the entity holding title to the property is based in California you will need to fill out Form 590 and return to Jackson Group Property Management. You will be exempt from the withholding.

If you are a Non-Resident and are eligible for a waiver from withholding please fill out Form 588 and submit to the State of California. If you regularly file California State Tax Returns submitting Form 588 to the FTB will provide you with that waiver. However the Holding Agent (Jackson Group Property Management) must receive this waiver before April 1 2010 so that the 7% Withholding for the 1st Quarter is not disbursed.

If you do not file a California return but would not have net income (or minimal net income) subject to tax fill out Form 589. Note that interest on mortgage is not considered an expense. The state will determine if and how much of a reduction in the withholding is substantiated. Again this form has to be sent to the State and their reply received back in our office prior to April 1 2010.

See the instructions on each Form to determine which one is applicable to you.

- Submit Form 590 to Jackson Group Property Management only (Residents of the State of California)
- Submit Form 588 or 589 to the FTB with a copy to Jackson Group Property Management. You will need the following information:
  - Withholding Agent
    - Jackson Group Property Management
    - Tax Identification: 20-8123369
    - Address: 1806 Balboa Street San Francisco CA 94121
    - Contact Person: Raymond or Nicholas Scarabosio Phone (415) 379-9035 Fax (415) 668-6063
    - Please check the box that you would like a copy of the reply sent to the withholding agent

This is new information and a new process for California Residential Property Managers. Our NARPM Association had representatives from the FTB and CA Department of Real Estate at our conference in April to ensure that your funds are handled appropriately.

For those of you that do not qualify for a waiver you will receive a form from Jackson Group Property Management in 2011 stating the amount that was disbursed on your behalf to the State of California. You should check with your CPA or Tax Attorney to determine how this is going to affect your taxes if any.