



MAINE REVENUE SERVICES

Income Tax Division - REW

P. O. Box 1068

Augusta, Maine 04332-1068

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NOTIFICATION TO SELLER(S) OF WITHHOLDING TAX REQUIREMENT

Real Estate Withholding became effective on January 1, 1992. It applies to any real property transferred after that date. Sales of easements are considered real property.

Every buyer of real property located in Maine must withhold state income tax from the total consideration paid (\$50,000 or more) for the property if the seller is not domiciled in the State of Maine as of the date of closing.

This applies to an individual, firm, partnership, association, society, club, corporation, estate, trust, receiver, assignee or any other group or combination acting as a unit.

This is not a tax. Similar to payroll deduction, it is a withholding of state income tax that is claimed as an estimated tax payment on Maine's income tax return. **If you have a recognized gain relating to the sale of Maine property, you are required to file a Maine Income Tax Return for the taxable period when the sale occurred regardless of the sale price of the property.**

RATE OF WITHHOLDING:

The rate of withholding is **2 1/2%** of the total consideration (total sales price). At the request of the seller, the Executive Director may prescribe a reduced amount of withholding, based only on the **gain**, at the rate of **8 1/2%**.

Form REW-5 (Request for Exemption or Reduction in Withholding of Maine Real Estate Withholding) Exemptions can be issued for losses on the sale of the property, exclusion of gain on sale of principal residence and like kind exchange. Reduction of withholding is issued based only on gains and installment sales. For additional information, please call the number listed above.

All requests for exemption or reduced withholding must be completed prior to the (sale transaction) closing date. Form REW-5 must be completed and submitted with supporting documents to: Maine Revenue Services, Income Tax Division/REW, Post Office Box 1068, Augusta, Maine 04332-1068. If you have questions regarding real estate withholding, please call (207) 626-8473. Documents may be FAXED to (207) 624-5062.