

Dear Henrietta House;

I own a house at the beach with my best friend and his sister. We are thinking of selling the home to help our kids with some college money. Our neighbor at the beach is telling us we will owe 7.5% of the sale of our beach property to the state of Maryland since we live in New York. Can you tell us if that is correct information and where we can obtain more information in reference to the tax?

Sincerely,

Ready to Sell

Dear Ready to Sell,

If your primary residence is not located in Maryland, then your neighbor is correct in regards to Maryland withholding tax requirements for the sale of a home in Maryland.

If you are a nonresident who owned and sold or transferred real property in Maryland, you must make a tax withholding payment to the local Clerk of the Circuit Court or the Maryland Department of Assessments and Taxation (MDAT). The payment must be made before the deed or other instrument of transfer is recorded. This will be handled at the time of settlement and will be reflected on the HUD sheet at closing. The attorney/closing company will provide you with the appropriate forms to complete. They will make the payment on your behalf to the local Clerk of Circuit Courts or Maryland Department of Assessments and Taxation. You are also required to file an end-of-the-year income tax return with Maryland for the year in which the sale occurred.

In the case of a nonresident individual, the payment is 7.5 percent of the total property sale payment made to the individual. A nonresident entity must make an 8.25 percent payment. Under this provision, a nonresident entity is an entity that is: not formed under the laws of Maryland more than 90 days before the date of the sale of the property, and not qualified by or registered with MDAT to do business in Maryland more than 90 days before the date of the sale of the property.

In the case of multiple owners, withholding is required from each of the nonresident owners based on the percentage of the total payment that represents each nonresident's ownership percentage.

For more detailed information, please review Maryland's Withholding Requirements for sales and transfers of real property by nonresidents on the Maryland Comptrollers website at <http://individuals.marylandtaxes.com/estatetax/withholding.asp/>.

I hope this information leads you in the right direction. Remember: if you all decide to sell your property, contact a local REALTOR[®] to help guide you through the entire process.

Henrietta House



Ask Henrietta! Send your question via e-mail to info@coastalrealtors.org

Information deemed reliable and accurate and for education purposes only and is not considered legal or financial advice.

For more information go to; <http://individuals.marylandtaxes.com/estatetax/withholding.asp/>.