



2011

REAL ESTATE TAX RETURN
DECLARATION OF ESTIMATED
INCOME TAX

Delaware Division of Revenue
820 N. French Street, P.O. Box 8735
Wilmington, Delaware 19899-8735

FORM 5403

DO NOT WRITE OR STAPLE IN THIS AREA

Rev. Code 090

Form 5403 must be completed for all conveyances and must be presented at the time of recording.

1. Description and address of property transferred (include property tax parcel number):

Empty box for property description and address.

Tax Parcel Number: _____

Date of Transfer: ____/____/____
(Month/Date/Year)

2. Transferor/Seller is:

- Individual or Revocable Living Trust
Corporation
Trust or Estate
Business Trust
Partnership
S Corporation
Limited Liability Company
Other

3. Transferor or Seller Acquired Property By:

- Purchase
Gift
Inheritance
1031 Exchange
Foreclosure/Repossession
Other

4. Transferor/Seller's name; SSN or EIN; and address to which correspondence is to be mailed after settlement. (Enter only one name and SSN or EIN per return. If more than one transferor/ seller, use separate forms for each; however, if Transferors/Sellers are husband and wife, enter only the primary taxpayer name and SSN, and only file one return. If transferor/seller is not an individual, list only EIN of non-individual transferor/seller and file only one Form 5403 for such transferor/seller - no Form 5403 should be filed for the members, partners, stockholders, trustees or other individuals or entities having an ownership interest in any such non-individual transferor/seller.)

Enter Social Security Number or Employer Identification Number of the Transferor/Seller

Name of Transferor/Seller
Address
City State Zip Code

5. If applicable, check appropriate box. (Check no more than one box.)

- Transferor/seller is a resident (a) individual, (b) pass-through entity or (c) corporation, and not subject to withholding under 30 Del. C. §§1126, 1606 or 1909;
Sale or exchange exempt from capital gain recognition;
Gain realized excluded from income for tax year of sale or exchange;
Sale or exchange occurred on or before December 31, 2010;
Transferor/seller has insufficient information to determine if sale or exchange is subject to withholding. By checking this box, transferor/seller understands that once sufficient information is available, payment of tax may be due and the appropriate return must be timely filed.

If any box in Section 5 is checked, DO NOT complete Sections 6, 7 and 8 below. No payment is due at this time.

6. Computation of Payment and Tax to be Withheld. (See Instructions)

- Total sales price
Less selling expenses
Net sales price (Subtract Line b from Line a)
Adjusted basis of property
Total gain (Subtract Line d from Line c)
Cash Payments (not including payments in Line b above)
Net Cash Received (Subtract (Line f from Line c)
Delaware Tax Due (Multiply either Line "e" or "g" by 6.95%)

Table with 2 columns: Description, Amount. Rows a-h corresponding to the list above.

7. Check box if the transferor/seller is reporting gain under the installment method. No Tax is payable at this time.

Note: If completing this section you must report and remit any capital gain tax to the State of Delaware when any capital gain as a result of the sale of this property is recognized for Federal Tax Purposes.

8. Delaware Income Tax Paid. (See Instructions.) \$ _____

Under penalty of perjury, I declare that I have examined this return and to the best of my knowledge and belief, it is true, correct and complete. If prepared by a person other than the transferor/seller, the declaration is based on all information to which the preparer has any knowledge. Transferor/Seller, Please sign and print full name and title (if any):

Signature

Name

Title

**INSTRUCTIONS FORM 5403
REAL ESTATE TAX RETURN REALTY TRANSFER TAX RETURN**

Every non-resident individual, pass through entity or corporation who makes, executes, delivers, accepts, or presents for recording any document, except those exemptions defined or described in Sections 1126, 1606 and 1909 of Title 30, or in whose behalf any document is made, executed, delivered, accepted or presented for recording, shall be subject to pay for and in respect to the transaction or any part thereof, a Real Estate Tax at the rate of six and 95/100 percent (6.95%) of the value of the gain on the property sold as represented by such document, which tax shall be payable at the time of making, execution, delivery, acceptance or presenting of such document for recording. Said tax is to be paid by the Transferor(s)/Seller(s).

SPECIFIC INSTRUCTIONS

- Line 1.** Enter a description and address of the property transferred/ sold, including the tax parcel number and date of transfer. If you need to describe transfer issues please do so here.
- Line 2.** Check the appropriate box to indicate whether the Transferor/Seller is an Individual or Revocable Living Trust, a Corporation, Trust or Estate, Business Trust, Partnership, S Corporation, Limited Liability Company, or Other, such as a Government Agency or Non-Profit Corporation.
- Line 3.** Check the appropriate box to indicate how the transferor/ seller acquired the property.
- Line 4.** Enter the Transferor/Seller's name; SSN or EIN; and address to which correspondence is to be mailed after settlement. (Enter only one name and SSN or EIN per return. If more than one transferor/ seller, use separate forms for each; however, if Transferors/Sellers are husband and wife, enter only the primary taxpayer name and SSN, and only file one return. If transferor/seller is not an individual, list only EIN of non-individual transferor/seller and file only one Form 5403 for such transferor/seller – no Form 5403 should be filed for the members, partners, stockholders, trustees or other individuals or entities having an ownership interest in any such non-individual transferor/seller.)
- Line 5.** Check the appropriate box to indicate if the transferor(s)/ seller(s) are resident individuals, pass-through entities or corporations that are not subject to real estate tax capital gain withholding; the sale or exchange is exempt from capital gain recognition because of either Federal or Delaware exemption; the gain realized will be excluded from income for tax year of sale or exchange; the sale or exchange occurred on or before December 31, 2010; or the transferor(s)/seller(s) has/ have insufficient information to determine if sale or exchange is subject to withholding. By checking the last box, the transferor(s)/seller(s) understands that, once sufficient information is available, payment of tax may be due and the appropriate return must be timely filed. If any of the above boxes in Section 5 are checked, stop here, do not complete Sections 6, 7 and 8 below, and no payment is due at this time. Be sure to only check one box.
- Line 6.** On line "a" enter the 'Total Sales Price'.
On line "b" enter the 'Selling Expenses'.
On line "c" enter the 'Net Sales Price' by subtracting line "b" from line "a".
On line "d" enter the 'Adjusted Basis'. "Adjusted basis," includes mortgages used to buy, construct or substantially improve the real estate, liens as well as the taxpayer's investment in the property.
On line "e" enter the 'Total Gain' by subtracting line "d" from line "c". This is the transferor's/ seller's capital gain for both Federal and Delaware State tax purposes.
On line "f" enter the total Cash Paid at the time of transfer or sale, not including any cash payments reported on line b.
On line "g" enter the 'Net Cash Received' by subtracting line f from line c.
The transferor/ seller may elect either Line e or Line g to calculate the 'Delaware Tax Due'.
On line "h" enter the 'Delaware Tax Due' by multiplying either line "e" or line "g" by 6.95%. This is the amount of real estate tax payment due to the Delaware Division of Revenue that you must remit with this form unless line 7 is completed. If you elected line g to make the calculation the transferor(s)/seller(s) may owe additional Delaware Income Tax. If owed this tax is due at the time the next Quarterly Estimated Tax Payment is due.
- Line 7.** If the transferor(s)/seller(s) is/ are reporting gain under the installment method no payment is due at this time, but by law you must report and remit any capital gain tax to the State of Delaware when any capital gain as a result of the sale of this property is recognized for Federal Tax Purposes.
- Line 8.** Enter the amount of Delaware Tax Due from Line 6(h), unless you completed Section 7. This is the amount payable to the Delaware Division of Revenue.

The Transferor/Seller must sign Form 5403, print their full name and title, if any. This form and the estimated income tax, if any, reported due and payable on this form must be remitted with the deed to the Recorder's Office before the Recorder shall record a deed conveying title in Delaware real estate. The tax returns or reports and the amounts of tax collected pursuant to Title 30 of the Delaware Code, Sections 1126, 1606 or 1909, and the Recorder's Office and its employees or agents, shall be subject to the secrecy provisions and penalties of Title 30 of the Delaware Code, Section 368."

Legal update from Andrew P. Taylor, of Cooch and Taylor, counsel to Delaware Association of REALTORS® and New Castle County Board of REALTORS®.

Topic: New Tax form for sellers of real estate and estimated tax due from Nonresidents.

The State of Delaware determined that many nonresident sellers of real estate are not paying the income tax due to the State on the capital gain. A new law to assist in the collection of the tax takes effect for real estate transactions after December 31, 2010. The requirement to file the form applies to all sellers of real property. For deeds recorded for transactions on or after January 1, 2011 a new Form 5403 (just released 12.20.2010) must be completed and presented to the Recorder of Deeds office along with payment of the estimated tax due. Please note this is not a new tax, it is merely a means for the State to collect tax due.

Before you panic, please note that section 5 of the form allows the seller to still complete the transaction if there is insufficient information to determine if the sale is subject to withholding of tax money.

Where all of the sellers are residents of Delaware for the entire tax year, compliance will be easy by checking off the box that they are residents and not subject to withholding of the tax. The reason for this is those individuals will be filing a Delaware Resident Income tax form and will account for any gain and tax at that time.

A nonresident individual “means an individual who is not a resident individual of this State for the individual’s entire tax year.” Sellers who are moving out of state will be considered nonresidents. This law applies not only to individuals but also to pass-through entities such as Limited Liability Companies and also to Corporations. A nonresident pass-through entity is one having “one or more members who are non-resident individuals or non-resident corporations”. For example, if the seller is a LLC, the estimated tax form must be completed and filed by the LLC and payment made for the estimated tax of each non-resident member. A nonresident corporation is one that is not organized under Delaware laws and is not qualified or registered with the Secretary of State to do business in this State.

The new form provided for by H.B. 349 is attached. The law specifically says that the real estate agent and broker are not liable for any amounts of tax required to be collected and paid. This means you are not liable for filling out this form and paying the tax. Please keep in mind that if you give sellers advice about this form you may be incurring liability for that advice. Therefore, it would be best to simply tell sellers that they should seek advice from their lawyer or tax advisor as to how to fill out the form and calculate the tax due. Please understand that this brief update is simply an incomplete summary in an attempt to send REALTORS® this information and the form as soon as possible.

Andy Taylor, 12.20.10