What is Maryland Nonresident Withholding Tax

All nonresidents of Maryland who sell or transfer real property in Maryland must make a tax withholding payment to either the property's local Clerk of the Circuit Court or the State Department of Assessments and Taxation (SDAT). Accordingly, the title company will withhold from seller proceeds at settlement and pay the withholding to the state if the seller is not able to certify exemption from withholding.

For a nonresident individual, the tax withholding amount is 7.5% of the total property's sale price. If multiple individuals own the property, then each owner is responsible for paying a percentage of the withholding that equals the percentage that he or she owns. Additional expenses may apply, so refer to Box 8 of the tax withholding form to calculate your total.

If some owners are residents of Maryland and therefore exempt from this tax, then only the nonresidents' shares are due. The payment(s) must be made before the property's deed (or another instrument of transfer) is recorded by the Clerk or SDAT.

At closing, the seller completes Form MW506NRS (called the Return of Income Tax Withholding for Nonresident Sale of Real Property). The settlement agent then presents Copies A and B of this form and the tax payment to the Clerk or SDAT, along with the deed recording.

NONRESIDENT WITHHOLDING TAX EXEMPTIONS

It is possible to receive a Certificate of Full or Partial Exemption, relieving the owner from some or all of the Maryland Nonresident Withholding Tax. A request must be submitted to the Comptroller of Maryland at least 21 days prior to closing in order to be eligible, so apply for the exemption as soon as the contract of sale is executed to ensure the settlement company receives the Certificate prior to closing.

Maryland Withholding Additional Info

https://www.marylandtaxes.gov/forms/current_forms/Withholding_requirement.pdf

https://www.marylandtaxes.gov/individual/income/income-withholdings.php