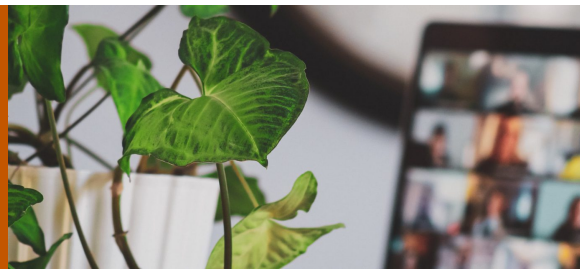
Massachusetts Nonresident Withholding on Sale of Real Estate



DECEMBER 15, 2025 | BY: THE LEADERSHIP TEAM

Beginning November 1, 2025, non-residents of Massachusetts who have sold MA real estate with a gross sales price in excess of $1,000,000 will be subject to withholding on the sale. The withholding agent, on behalf of the seller, is required to withhold and remit a 4% income tax withholding on the gross sales price using Form NRW within 10 days of closing. The transferor must also file a copy of a **Transferor's Certification** with a copy of their Form NRW. The amount withheld will be applied against the seller's Massachusetts state income tax obligation when they file their annual tax return. There are certain exceptions to this requirement.

Exceptions

To fully exempt the transferor (seller) from withholding they must be one of the following:

1. A full year MA resident after closing
2. A passthrough entity
3. A publicly traded partnership
4. An estate of a resident decedent
5. A qualified organization under IRC section 501 and exempt from tax in MA, unless the transfer results in unrelated business taxable income.
6. A US federal or MA state government or agency
7. A private mortgage company
8. A financial institution under MGL Ch. 63 Sect. 1
9. A REIT that provides the proceeds to the shareholders as dividends derived from the sale of real estate
10. A corporation with either a continuing MA business presence OR a member of a combined group with a continuing MA business presence

To partially (or fully, if deduction exceeds gain) exempt the transferor from withholding:

1. Property was transferor's principal residence under IRC section 121
2. Transfer occurs between spouses or in incident to a divorce
3. Transfer is to a corporation under IRC section 351
4. Transfer qualifies as a tax-free reorganization under IRC section 368
5. Transfer is a 1031 exchange. **transferor must consent to being taxed in MA when gain is realized.
6. Transfer is part of an installment sale and less than the full price will be received at time of settlement. ** transferor must consent to being taxed in MA when gain is realized.

Alternative withholding calculation

This is the estimate of the seller's net gain from the sale of the real estate and uses the seller's estimated tax rate. This is an affirmative election made directly on the Transferor's Certification.

Alternative withholding calculation election tax rates

- Individuals: 5%

© 2026 Johnson O'Connor Feron & Carucci LLP | Certified Public Accountants

- Individuals if the gross sales price OR the estimate gain exceeds the surtax threshold: 5% on total gain + 4% of the amount over the surtax threshold
- Corporate Excise: 8%

Filing and Payment Process

Withholding Agent: The person responsible for closing the real estate sale (title company, escrow company, closing attorney, etc.) If there is no third party closing agent, the buyer will be required to act as the withholding agent.

Timing: The Withholding agent has 10 days to file and remit form NRW, the Transferor's Certification, the HUD statement, and the withheld tax using MassTaxConnect.

If *multiple sellers*, separate Transferor's Certifications are required showing each seller's ratable portion of the sale. Withholding is also applied ratably based on the total sales price, even if each individual seller would be under the threshold.

Penalties for late filings will be abated for sales between November 1 and November 30, 2025.

Claiming the withholding: Taxes withheld are claimed when the seller files their MA income tax return for the year of sale. Overpayments may be applied to future years or refunded.

To learn more about Johnson O'Connor's Real Estate services, visit our **website**.

RELATED SERVICES

Business & Nonprofit Tax

State & Local Tax

Transactional Services

RELATED INDUSTRIES

Real Estate

© 2026 Johnson O'Connor Feron & Carucci LLP | Certified Public Accountants