



# Monthly Newsletter

September 2012

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*California West must withhold 7% of its owner withdrawals for its nonresident owners.*

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## **To avoid withholding tax, out-of-state owners should consult a tax professional about potential exemptions.**

California West strongly encourages its property owners who do not reside within the state to obtain advice from a tax professional as to how to request and obtain an exemption to California withholding tax.

For nonresident property owners, if payments from California West to the owner for the entire year exceed \$1,500 in a calendar year, then California law requires us to send to the state 7% of the total owner withdrawals.

As a result, since owner withdrawals on a property for an entire year almost certainly exceed \$1,500, California West must withhold 7% of its owner withdrawals for its nonresident owners.

We do this on a monthly basis and remit this amount to the state quarterly.

The state of California then credits our nonresident property owners whatever amount we have sent to the state.

At the end of the year, nonresident owners must then file a California tax return to claim the withholding credit.

We provide our clients with a tax statement by January 31 of the following year giving proof of the credit.

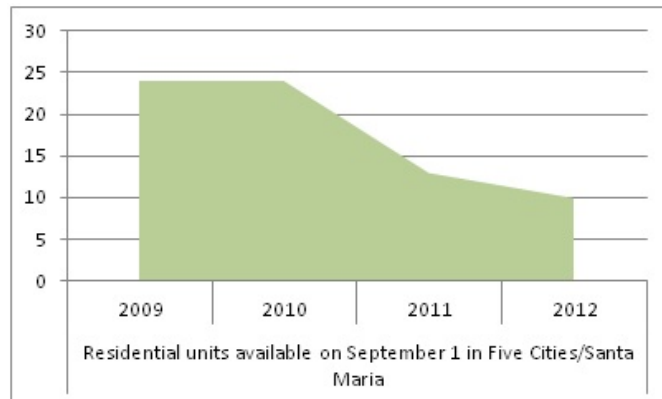
Many of our owners are eligible for reduced or waived withholding. In fact, many of our owners have already obtained complete waivers.

For information on how to request either a reduction or waiver, consult a tax professional, refer to [ftb.ca.gov](http://ftb.ca.gov), and use the forms FTB 589 and FTB 588.

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## Five Cities/Santa Maria: Number of available units continues to be lower than in recent years.

The number of available units from California West's Arroyo Grande office, which serves the Five Cities and Santa Maria markets, continues to be lower than in recent years. This reflects a generally stronger rental market:



*California West served a tenant a three-day notice to perform or quit because he was using his bedroom as a marijuana "grow room."*

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## What happens when a tenant is using his apartment to grow marijuana with a medical use permit?

At one of the apartment buildings that California West manages, when we were doing an exterior inspection of the property we noticed that in one of the windows there was a piece of plywood with a cylinder of metal in the center. In other words, a tenant had installed some sort of crude ventilation system in his bedroom.

Upon inspecting the unit, we discovered that the tenant had removed smoke detectors and had turned his bedroom into a marijuana "grow room." The tenant showed us his medical use permit and contended that what he was doing was perfectly legal.

Nonetheless, our lease prohibits: 1) unlawful conduct; 2) removal of smoke detectors; and 3) alterations to the property without prior written consent. We served the tenant a three-day notice to perform or quit based on his breach of these three provisions.

Although the tenant removed the marijuana plants, he refused to remove the ventilation system or replace the smoke detectors. The property owner decided to have us file an eviction lawsuit.

On the day of trial, to avoid a judgment, the tenant agreed to pay the property owner's legal fees and to vacate the property.

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