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Monthly Update from your Team at Home First Title Group

Maryland Non-Resident Withholding: What It Is & Why Maryland Feels Different

Non-resident withholding is one of the most common closing-table surprises for sellers who live outside of Maryland. While many states have some version of this requirement, Maryland applies it more consistently and visibly than most—which is why it comes up so often in closing conversations. Here's what industry professionals need to know.

What Is Maryland Non-Resident Withholding?

When real property located in Maryland is sold by a non-resident seller, Maryland law generally requires that a portion of the seller's proceeds be withheld at settlement. This withholding:

- Is not a sales tax.
- Is not an extra fee.
- Is a prepayment toward Maryland income tax that may be owed on the sale.
- The withheld funds are remitted to the Maryland Comptroller, and the seller later reconciles the actual tax liability when filing a Maryland non-resident income tax return.

Why Does Maryland Require Withholding?

Maryland uses non-resident withholding to ensure compliance with state income tax laws. Because the seller does not reside in Maryland, withholding at closing helps guarantee that any Maryland tax obligation tied to the sale of Maryland real estate is addressed.

Why Maryland Feels Different

Industry professionals often ask why this requirement feels routine in Maryland but far less noticeable in other jurisdictions.

The difference lies in enforcement and process. In Maryland, non-resident withholding is:

- More consistently enforced. Withholding is generally presumed required unless an approved exemption applies.
- More visible at settlement. The withholding is typically reflected clearly on the settlement statement and discussed prior to closing.
- More likely to impact net proceeds. Funds are often actually withheld, which can directly affect seller proceeds.
- Less likely to be resolved solely by certification. Maryland often requires specific state forms and documentation rather than relying only on seller certifications.

Because of this structure, Maryland transactions tend to involve earlier conversations, clearer disclosures, and more awareness among REALTORS®, lenders, and sellers.

Why This Matters to Your Transactions

Understanding Maryland's approach helps prevent: Last-minute confusion at closing. Delays related to missing documentation. Seller frustration over unexpected proceeds adjustments. Early identification of seller residency and proactive coordination with the settlement provider can make a significant difference.

At Home First Title Group, we identify non-resident withholding requirements early, prepare the necessary documentation, and coordinate with all parties to keep the transaction on track—while remaining fully compliant and within regulatory guidelines.

This article is for informational purposes only and does not constitute tax or legal advice. Sellers should consult their tax advisor regarding their specific situation.



How to Talk About Maryland Non-Resident Withholding with Sellers

The goal is to set expectations early, use plain language, and avoid tax advice. Think inform, not interpret.

Start the Conversation Early (Timing Matters)

Bring it up before listing or as soon as seller residency is confirmed—not at closing.

When to introduce it:

Listing appointment. Net sheet review. Pre-settlement call. Early mention = fewer surprises.

Use Simple, Accurate Language

What to say: “Because you live out of state, Maryland requires a portion of the sale proceeds to be withheld at closing. It’s not a sales tax or an extra fee—it’s a prepayment toward any Maryland income tax that may be owed. Your tax advisor can help you understand how it applies to you.”

This keeps it factual and neutral.

Explain Why Maryland Feels Different

Sellers may say, “I’ve never had this happen before.”

Helpful response: “Maryland applies this more consistently than many states. That’s why it’s more visible here and often shows up on the settlement statement.”

Avoid These Common Pitfalls

Don’t estimate the tax. Don’t promise exemptions or refunds. Don’t compare it to sales tax.

Don’t explain filing strategies. Instead, redirect appropriately.

When Sellers Ask Detailed Tax Questions

Safe redirect: “That’s something your CPA or tax advisor should review with you. Our role is to make sure the state’s requirements are followed at settlement.”

“This is a common requirement for out-of-state sellers in Maryland. The settlement company handles the paperwork and remittance, and your tax advisor reconciles it when you file.”

Real estate transactions can involve details that feel unfamiliar—especially when selling from out of state. If you have questions or need clarification, our team at Home First Title Group is always happy to help explain the process and keep your transaction moving forward.

Client Relationship Building Tip: Super Bowl Pop-Bys

With the Super Bowl fast approaching, it's the perfect excuse to show appreciation, stay top of mind, and strengthen relationships—without talking real estate.

A simple Super Bowl pop-by can go a long way.

Easy Pop-By Idea:

Grab.: Tortilla chips, Queso, Salsa

Add a quick tag like:

“Just a little something for game day—enjoy the Super Bowl!”

“No real estate talk...just snacks and football!”

Pop by clients a day or two before the big game to drop it off with a smile.

Why It Works

- It's thoughtful, not salesy
- It shows support and appreciation
- It creates a positive, memorable touchpoint
- It keeps relationships warm and genuine

Moments like these help grow your client circle organically—because people remember how you made them feel.



Pro Tip

Don't overthink it. Keep it simple, sincere, and fun. The goal isn't perfection—it's connection.

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