

[FIRPTA]

Foreign Investment in Real Property Tax Act

The disposition of a U.S. real property interest by a foreign person (the seller) is subject to the Foreign Investment in Real Property Tax Act of 1980 (FIRPTA) income tax withholding. This IRS Rule requires the transferee/buyer to determine if withholding applies and, if so to remit the withholding to the IRS.

If the buyer has determined FIRPTA withholding applies, the buyer and seller may mutually instruct the Escrow Officer to deduct the set amount, gather the applicable forms and remit them to the IRS on their behalf.

Foreign sellers are subject to a 15% withholding of the sales price unless ONE of the following exemptions are met:

1

The sales price is \$300,000.00 or less and the buyer(s) signs the FIRPTA Buyer Occupancy Affidavit, which states they are acquiring the real property for use as a principal residence and that either the buyer or an immediate family member of the buyer will reside at the property for at least 50% of the number of days the property is used by any person during each of the first two 12-month periods following the date of transfer. Note immediate family members are: spouse, brothers, sisters, ancestors, lineal descendants.

2

The seller provides a certification stating that the seller is not a foreign person which means they are a U.S. resident or a resident alien that lives in the U.S. and has a U.S. tax identification number.

3

The buyer receives a waiver from the IRS that excuses or reduces the amount of the withholding prior to close of escrow.

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