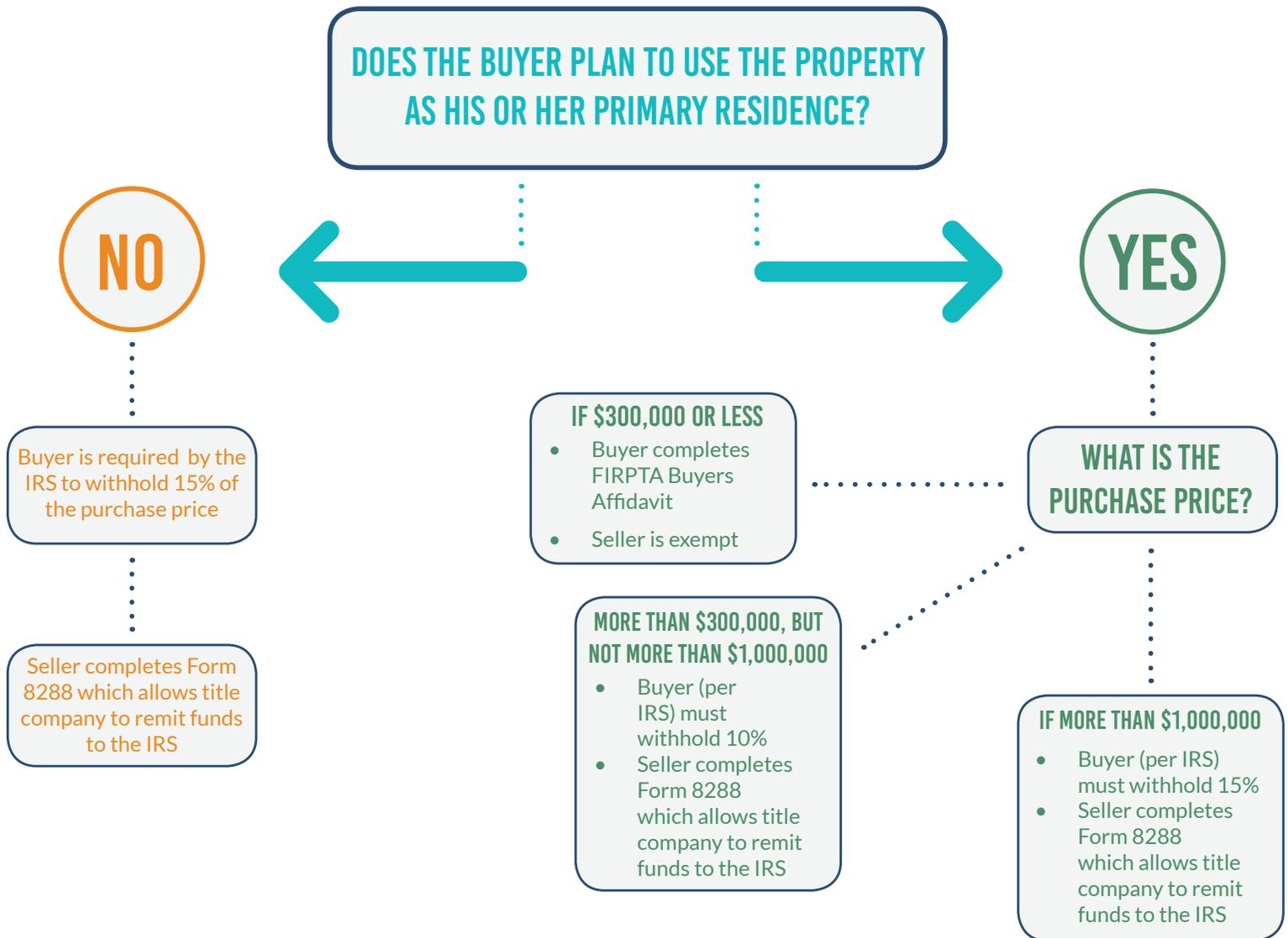


FOREIGN INVESTMENT IN REAL PROPERTY TAX ACT (FIRPTA) WITHHOLDING

WHEN IS FIRPTA APPLICABLE?

If the seller is not a US citizen or legal US resident, the buyer may be required by law to withhold a certain percentage of the purchase price.



QUESTIONS?

Contact your account manager today!

FREQUENTLY ASKED QUESTIONS

WHO IS RESPONSIBLE FOR FIRPTA WITHHOLDING?

The IRS rules place the responsibility for withholding potential income tax due in the amount of 10% or 15% of the purchase price on the buyer of the real property from a foreign entity. The real property becomes the security for the IRS to ensure that they receive taxes that are due. If the payment is not made by the buyer, the IRS can seize the real property (or other assets of the buyer).

WHEN IS A SELLER EXEMPT FROM THE FIRPTA WITHHOLDING?

- When the sales price is not more than \$300,000 and the buyer or a buyer's family member plans to reside in the property
- The Seller provides a certificate stating that he or she are not a foreign seller (e.g. they are a US Citizen or legal resident alien).
- The Seller may apply for and receive a withholding certificate prior to close of escrow from IRS to excuse withholding or reduce withholding.

CAN THE BUYER ASSIGN THE RESPONSIBILITY FOR WITHHOLDING TO THE SETTLEMENT OR ESCROW AGENT?

There are no provisions in the IRS rules for the buyer(s) to assign their responsibility to anyone else, including the title company or real estate agents. The title company/escrow agent cannot provide legal or tax advice.

IS THE BUYER PROTECTED IF HE OR SHE DID NOT KNOW THE SELLER WAS FOREIGN AND THE BUYER PLANS TO USE THE PROPERTY AS HIS OR HER PRIMARY RESIDENCE AND THE PURCHASE PRICE IS OVER \$300,000?

The buyer is only protected if the 10% or 15% is withheld or the seller signed a non-foreign affidavit.

THE SELLER AND BUYER DO NOT WANT TO ENGAGE A CPA TO ANSWER THEIR QUESTIONS. CAN THE REAL ESTATE AGENT OR ESCROW CONTACT HELP WITH FIRPTA QUESTIONS?

Escrow personnel and real estate agents may have experience with FIRPTA, but are not qualified to provide advice on individual taxpayer's situations.