

FIRPTA

How it May Apply to Real Estate Transactions



FIRPTA - Foreign Investment in Real Property Tax Act

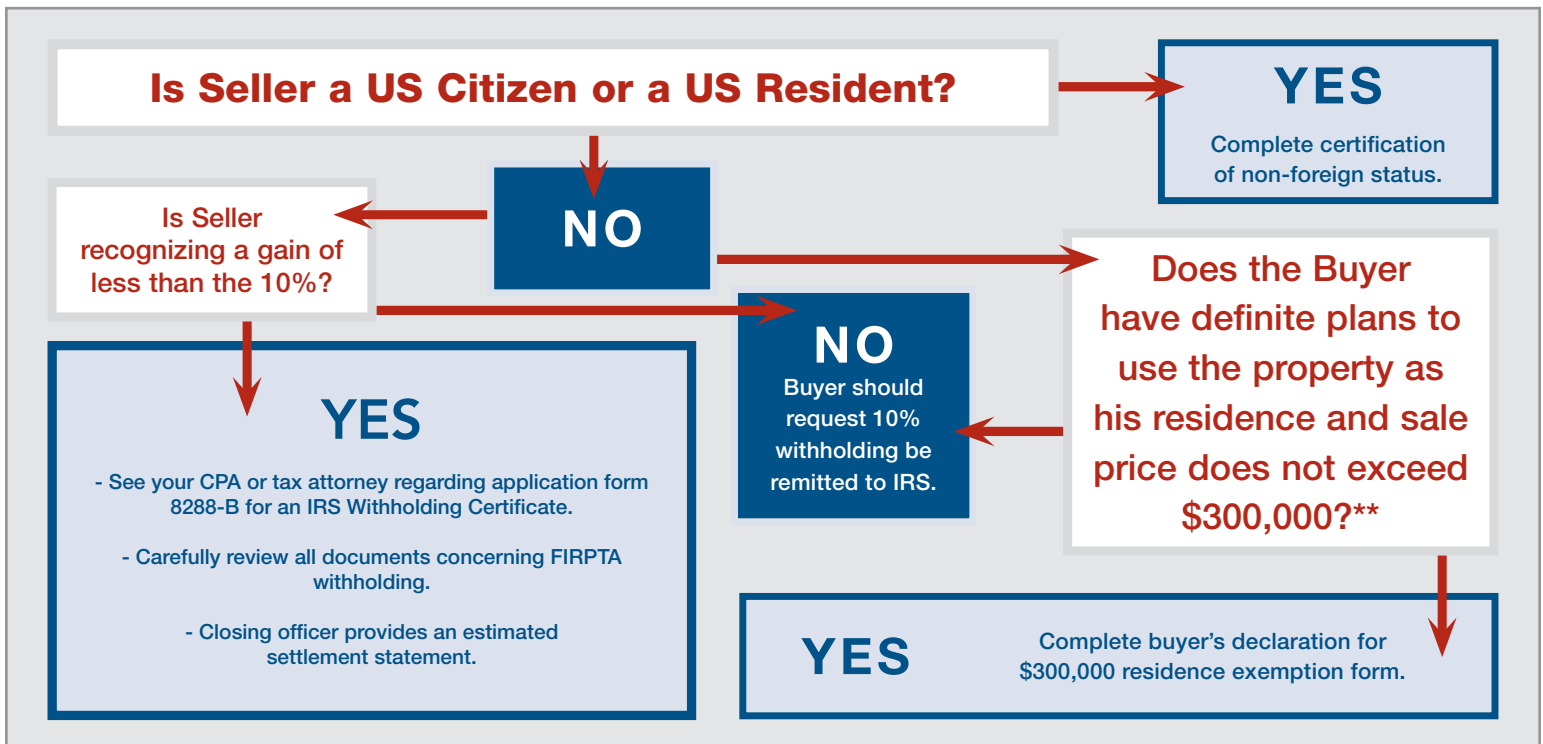
- ▼ **When a foreign owner gets ready to sell, they could be subject to a 10% withholding (of the sales price) unless the transaction is exempt from FIRPTA.**
 - ▶ Most common exemption: Sales price is not more than \$300K. The buyer or a member of their family must have plans to reside at the property for at least 50% of the number of days the property is used by any person during each of the first two twelve month periods after sale.
- ▼ **Other exemptions that may apply are:**
 - ▶ Seller to provide a certificate showing they are not a foreign seller
 - ▶ Seller receives a withholding certificate from IRS excusing withholding or reducing withholding

If applicable, see forms:

W-7 (application for IRS Individual Taxpayer Identification Number)

8288-B (Application for Withholding Certificate for Dispositions by Foreign Persons of U.S. Real Property Interests)

Go to www.irs.gov and click on Forms and Publications to get copies of these and other forms.



***NOTE:** Closing officer will withhold and remit to the IRS 10% pending receipt of Withholding Certificate, unless the parties agree otherwise.

****IRS REQUIRES:** The BUYER acquires the property for use as a home and the amount realized (sales price) is not more than \$300,000. The BUYER or a member of their family must have definite plans to 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. When counting the number of days the property is used, do not count the days the property will be vacant.



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