



## Understanding FIRPTA - Foreign Investment in Real Property Tax Act

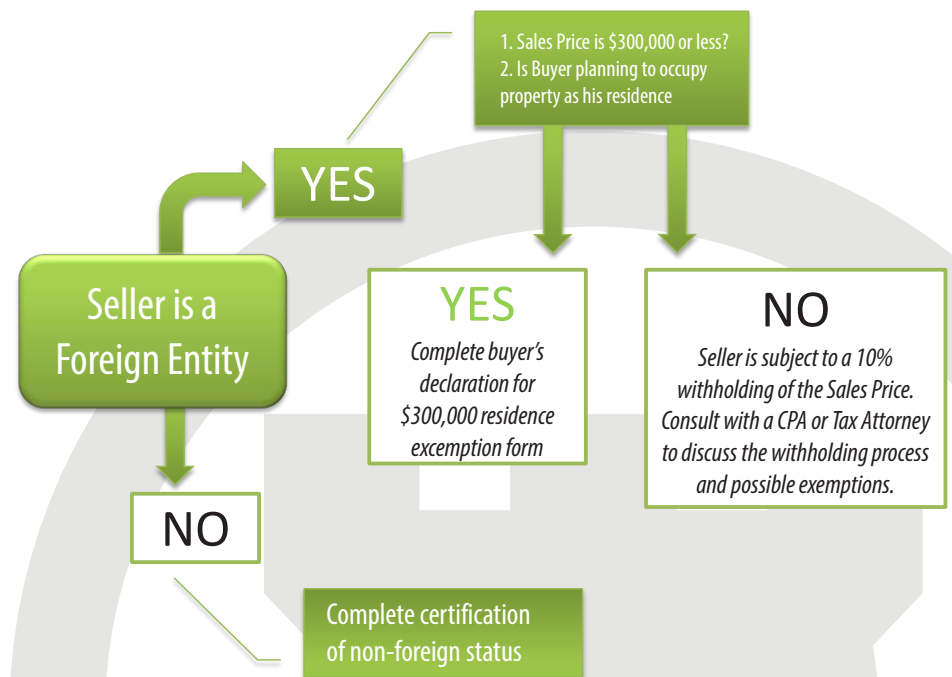
The disposition of a U.S. real property interest by a foreign person (the Seller) is subject to the Foreign Investment in Real Property Tax Act of 1980 (FIRPTA) income tax withholding. FIRPTA authorized the United States to tax foreign sellers on dispositions of U.S. real property interests.

### Foreign Sellers are subject to a 10% withholding of the sales price unless **ALL OF THE FOLLOWING EXEMPTIONS** are met:

- The buyer acquire the property for use as a home and the amount realized (generally sales price) is not more than \$300,000. The buyer or a family member of the buyer 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.
- The seller provides a certification stating that the seller is not a foreign person.
- The buyer receives a withholding certificate from the IRS that excuses withholding.
- The Seller provides a written notice that no recognition of any gain or loss on the transfer is required because of a nonrecognition provision in the Internal Revenue Code or a provision in a U.S. tax treaty. The buyer must file a copy of the notice by the 20th day after the date of transfer with the IRS.
- Seller is a resident alien.

### Other Important Facts:

- Foreign citizens doing business and earning income in the United States are required to have taxpayer identification numbers (TINS), this TIN is required for remitting payment to the IRS.
- The IRS rules place the responsibility for withholding potential income tax due in the amount of 10% 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 to them. If the payment is not made by the buyer, the IRS can seize the real property (or other assets of the buyer).



This information is proudly brought to you by:

Chicago Title has always assisted our sellers or buyers in obtaining the signature on any form or document presented to us. If FIRPTA does apply, Chicago Title will follow the instructions of the principals in withholding and remitting the payment to the IRS on their behalf. Contact us to learn more about how we can help you with your next FIRPTA transaction.

Additional information, other exemptions, forms and publications can be found at [www.irs.gov](http://www.irs.gov), enter "FIRPTA" in the search box.