

# FIRPTA, Foreign Person IRS Withholding

The IRS requires the escrow company must withhold 15% of the sales price on the sale of United States real property interests by foreign persons (on sales above \$1,000,000), and either 15% or 10% on sales between \$300,001 and \$1,000,000, and either 15% or \$0 for sales of \$300,000 and under. The lower withholding amount at both levels requires the buyer to purchase the property with the intent to use it as a residence.

GROSS SALES PRICE	Buyer intends to use Property as a Residence	YES	NO
	\$300,000 and Under	\$0	15%
	\$300,001 - \$1,000,000	10%	15%
	Over \$1,000,000	15%	15%

- A. Who counts as a foreign person?** A nonresident alien individual; a foreign corporation; a foreign partnership; a foreign trust; a foreign estate.
- B. Who counts as a nonresident alien?** These are individuals who meet two conditions: (1) they are not U.S. citizens, and (2) not (full-time) legal U.S. residents.
- C. Example (1):** A U.S. citizen living in Paris sells his Los Angeles vacation home-no withholding required on US citizens (no matter where they live at the time of sale).
- Example (2):** A Danish citizen has a U.S. work visa, lives and works in San Diego and sells her San Diego home-no withholding on full-time legal U.S. residents.
- Example (3):** A Canadian vacationing 5 months a year in the U.S. on a Canadian tourist visa sells her Palm Springs house-15% or 10% withholding required, the Canadian citizen is on a vacation visa in the U.S. and is not a legal U.S. resident.
- Example (4):** A Canadian vacationing 5 months a year in the U.S. on a Canadian tourist visa sells her Palm Springs house, also happens to have a social security number from when she worked in the U.S. 5 years ago-15% or 10% withholding required, the Canadian citizen is on a vacation visa in the U.S. and is not a full-time legal U.S. resident, the fact that she has a social security number does not change the fundamental facts that she is not a U. S. citizen nor a U.S. resident at the time of sale.

Information furnished by Directs

