

# CW TITLE AND ESCROW KEEPS FIRPTA TRANSACTIONS MOVING



## DOES FIRPTA APPLY TO YOUR TRANSACTION?

When foreign owners sell, 10% or 15% of the gross sales price must be forwarded to the IRS unless one of the following exemptions below apply. Common exemptions to FIRPTA include:

- ➔ **Residential Buyer:** Sales price is \$300,000 or less, and the *individual buyer* or a member of their family has definite plans to reside in 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 sale.
- ➔ **Not a Foreign Seller:** Seller signs a certificate or form 22E stating that the seller is not a foreign person.
- ➔ **Withholding Certificate:** Before closing, seller obtains a withholding certificate from the IRS which reduces or eliminates the FIRPTA tax for the foreign person. The seller or transferor should also work with an accountant or tax attorney.

## AMOUNT OWED FOR FIRPTA

Owner occupancy of the buyer and sales price determines the amount of tax the seller will pay.

- ➔ **Owner occupancy:**
  - Buyer must be a person and sign a Certification of Occupancy (MLS Form 22E).
    - ◇ Sales price of \$300,000 or less = no tax is due
    - ◇ Sales price of \$300,001.00 to \$1 million = 10% FIRPTA Tax is Due
- ➔ **Nonowner occupancy and/or a sales price over \$1 million = seller will pay 15% FIRPTA Tax**
  - Nonowner occupancy defined as:
    - ◇ If buyer is a Trust, Corporation, or LLC
    - ◇ Vacant Land

FIRPTA stands for  
**Foreign Investment in Real Property Tax Act**

## WHAT CW TITLE AND ESCROW WILL DO DURING A FIRPTA TRANSACTION

- CW will assist with preparing **ONLY** the IRS Form 8288 and Form 8288A, and;
- As instructed by the Purchase & Sale Agreement, CW Escrow mails forms and the check to the IRS for FIRPTA Tax.
- CW does not handle any other issues pertaining to the Withholding Certificate and/or refunds for FIRPTA Tax
- CW Title and Escrow does not provide any tax or legal advice and none of the information provided herein or on any completed document should be construed as tax or legal advice. We strongly suggest buyer(s) and seller(s) review all FIRPTA related documents in their entirety and seek the advice of an independent tax professional or attorney if any questions arise.

**Contact your CW Title and Escrow Team to get all your questions answered!**