



INTERNATIONAL CONSULTING AND TAX PLANNING

Owning Real Estate in the United States

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Established in 1972, Kerkering, Barberio & Co., CPAs, has grown to become one of the leading public accounting firms in Southwest Florida. Our mission at Kerkering Barberio is bringing together the best people, quality services and innovative products to assist our clients in achieving their personal, business and financial goals.

The International Tax Division at Kerkering Barberio offers unparalleled experience. We provide consulting and compliance services to our clients and business associates who are looking for a responsive, local source for advice in this complex area. Our team of highly qualified individuals work together to ensure the highest standards of service.

U.S. Taxes and U.S. Real Estate

When a non-resident purchases or sells real estate in the United States, there are some important issues connected with U.S. income taxes.

There are no income taxes due in connection with real estate if the property is for personal use only. The only taxes due in Florida are real estate taxes. This is an annual tax based on the market value of the property.

Income taxes may be due when property is sold. When a non-resident sells U.S. real estate, 10% of the sales price is required to be withheld and remitted to the Internal Revenue Service (IRS). A U.S. income tax return is required to be filed and tax is calculated based on any gain on the sale. If there is no gain, there is no tax due and the withheld amounts are returned to the seller.

There are some exceptions to this withholding tax, based on the unique circumstances of each sale. Your tax advisor can tell you if your transaction will qualify for an exception.

U.S. Taxes and Rental Property

A non-resident owning rental property in an individual name has two options for reporting and paying U.S. income taxes.

Option 1 requires 30% of gross rents to be withheld and remitted to the IRS. Usually this is handled by a rental agent. No tax returns need be filed nor are there other requirements.

Under Option 2, the owner of the property files an election statement to treat the rental of the property as effectively connected with a U.S. trade or business. This election states that the non-resident will file an annual tax return and pay any tax due on the rental income minus any expenses connected with the property. These expenses include real estate tax, mortgage interest, repairs, utilities, depreciation, etc. This method usually results in less tax being paid, but requires more effort on the part of the property owner.

When a rental property is used for both business and personal purposes, the appropriate option will depend on the time and money involved.

U.S. Taxes and Estate Tax

U.S. real estate owned by a non-resident alien is subject to U.S. estate tax upon the death of the property owner. The tax is assessed based upon the fair market value of the property at the date of death. Rates of tax start at 18% and increase to a maximum of slightly under 50%.

Because these taxes can be substantial, the non-resident may wish to consider some alternatives to eliminate or reduce the tax.

The first step is to determine if there is a treaty between your country and the United States. There may be a treaty provision that will reduce the amount of estate tax due in this country. If there is no treaty, an alternative is to hold the property through a foreign (non-U.S.) corporation. Instead of owning the actual property, the non-resident owns shares in a foreign corporation, which are not subject to U.S. estate taxation.

Another alternative is to purchase life insurance. This option does not avoid estate taxes, but merely provides the funds to pay the estate tax liability.

International Consulting and Tax Planning Services

- **Real Property**
 - Tax planning and preparation
 - Purchase, sale and rental
 - Disclosure requirements
 - Withholding requirements
- **Selection of Business Entities**
 - U.S. and foreign corporations
 - Partnerships
 - Limited liability companies
 - U.S. and other offshore trusts
- **Estate & Gift Taxation of Non-Citizens**
 - Tax planning and preparation
 - Determination of domicile
 - Estate tax treaty provisions
 - Probate considerations
- **Change of Residency**
 - Tax planning and preparation
 - Disclosure requirements
 - Dual tax status
 - Pre-immigration tax planning
- **Business Operations**
 - Tax planning and preparation
 - Record keeping
 - Tax treaty provisions
 - Exchange of tax information

