Centerstone
ESCROW INC

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.