



FIRPTA: NEED TO KNOW

The Foreign Investment of Real Property Tax Act (FIRPTA) is an estimated withholding (up to 15% of the selling price) paid by the seller, set aside for a future tax payment, and possibly refundable.



Both sellers and buyers have crucial roles in the FIRPTA process:

SELLERS

- Required to have a Tax I.D.
- May sign affidavit of Non Foreign Status
- Must pay FIRPTA upfront withholding
- May qualify for reduction or exemption of withholding
- Required to file a tax return
- Possibly eligible for a refund
- Will get a receipt from the IRS in order to file taxes

BUYERS

- Required to have a Tax I.D.
- May ask proof of non-foreign status
- Must remit the withholding funds within 20 days after closing
- May reduce the withholding based on intent to reside
- May face penalties if the funds are not submitted in timely fashion
- May ask for a copy of shipping label proving 8288 was sent



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