

FOREIGN BUYER / SELLER ADVISORY

You are receiving this notice as you are a non-US resident or citizen buyer/ seller or are currently the purchaser of real estate from a non-US resident or citizen. As a party to a “foreign transaction”, you must be aware of certain risk and or regulations that may affect such transactions. As a party to this transaction you may be subject to such risks as:

- 1.** All dispositions of US real estate involving certain “foreign persons” are subject to the provisions of the Foreign Investment in US Real Estate Act of 1980 (FIRPTA). This act requires the Buyer of any property owned by a foreign Seller to withhold and remit 10% of the total amount realized (generally the sales price) to the IRS, unless the Seller qualifies for an exemption. Such determinations can be very fact specific AND MAY CAUSE SIGNIFICANT DELAYS IN YOUR TRANSACTION. All parties, including foreign purchasers and sellers, are advised to seek appropriate legal and tax advice prior to closing to determine how such regulation will affect the present or future transactions.
- 2.** Foreign owners, purchasers and sellers of US real estate are subjected to significant IRS regulation as it relates to the taxation and reporting of income resulting from the ownership of said US real estate. This includes, but is not limited to, the taxation of rental income and proceeds from the sale of US real estate. Failure to properly make IRS tax elections, file income tax returns as well as other reporting requirements can result in increased taxation and significant civil and/or criminal penalties. Foreign purchasers and sellers are advised to seek appropriate legal and tax advice during any inspection period and prior to closing to determine how such regulation will affect the present or future transactions.

Foreign purchasers and sellers of US real estate may be subjected to additional taxation and/or regulation in their home country. Some counties do not recognize certain US entities and/or may tax them adversely. Ownership through a US entity - absent proper planning- may result in unfavorable tax treatment in the foreign person’s home country. The US has tax treaties with many countries and special attention needs to be paid to them as they may alter the way income is taxed and/or the way certain entities are treated. Foreign purchasers and sellers are advised to seek appropriate legal and tax advice during any inspection period and prior to closing to determine how such regulation will affect the present or future transactions.

- 3.** Foreign purchasers and sellers of US real estate can face significant estate tax consequences should they die owning US real estate. A foreign owner up to 60% or more of the assets’ value if proper tax planning was not implemented at the time of death. Foreign purchasers and sellers are advised to seek appropriate legal and tax advice during any inspection period and prior to closing to determine how such regulation will affect the present or future transactions.
- 4.** Foreign purchasers and sellers of US real estate face potential significant personal liability risk if the property being purchased is intended to be used as an investment. Improper ownership may not only subject them to increased taxation but could result in significant personal liability for injury or any other event that results from such ownership or occurs on such property. Foreign purchasers and sellers are advised to seek appropriate legal and tax advice during any inspection period and prior to closing to determine how such regulation will affect the present or future transactions.

The above items are just a few of the issues facing foreign persons who own, purchase or sell US real estate. Buyer/Seller recognizes, acknowledges and agrees that Broker(s) and REALTORS® are not qualified, nor licensed, to advise Buyer and/or Seller on these matters. All parties are instructed to consult with qualified licensed professionals to assist in the parties as it relates to these and other related matters. Because these items are beyond the scope of the Broker’s/REALTORS® expertise and licensing, all

