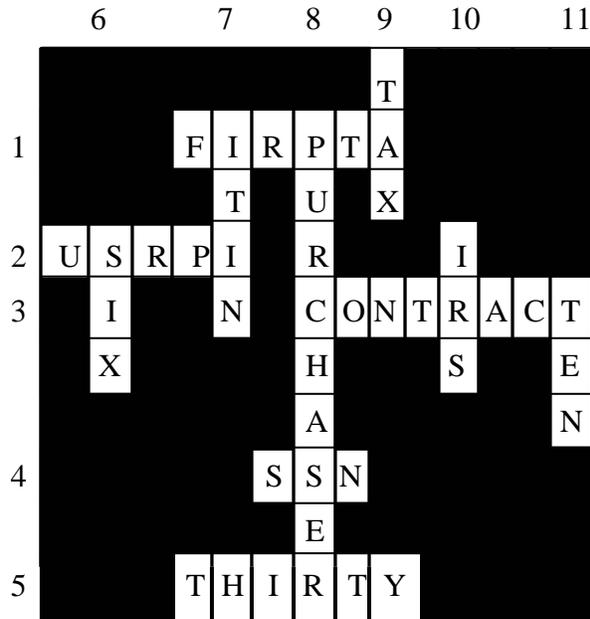


Crossword Puzzle



2 Across U.S. government acronym for United States Real Property Interest.

Answer: **USRPI**

USRPI pertains to all real estate closings dealing with the purchase or sale of property within the United States.

1 Across Purchase of a USRPI from a foreign person means a withholding of monies for U.S. taxes as required under _____.

Answer: **FIRPTA**

This is the Foreign Investment in Real Property Tax Act, which effectively closed the U.S. tax loopholes for foreign investors. FIRPTA imposes U.S. tax on income and gains from the operation of U.S. Real Property Interests (USRPIs) by nonresident aliens and foreign corporations. This withholding requirement also includes the foreclosure on mortgages of property owned by nonresident aliens and foreign corporations. The purchaser or other withholding agent must report and transmit to the IRS the tax withheld by the 10th day after the closing date. There is a penalty of up to \$10,000 over the tax for the willful failure to collect and pay.

11 Down What percentage is required to be withheld under FIRPTA?

Answer: **TEN**

This is withheld at closing and is subject to 3 possible exemptions:

1. Property used as personal residence with purchase price not to exceed \$300,000.

2. The seller provides a qualifying statement from IRS saying he is entitled to a reduced withholding, has provided security for payment of the tax, or has made other arrangements with IRS to pay the tax.

3. The seller has furnished a “nonforeign affidavit.”

7 Down A foreign person who sells or purchases a USRPI from another foreign person must have an _____.

Answer: **ITIN**

ITIN stands for the Individual Tax Identification Number. It is issued for **tax purposes only** and is not meant for identification purposes. A foreign person who sells or purchases a USRPI from another foreign person must have an ITIN.

4 Across Most common tax identification number (abbreviation).

Answer: **SSN**

The Social Security Number is our most common tax identification number and some foreign purchasers and sellers also have SSNs. However, if they do not qualify for a SSN they must apply for an ITIN when selling or purchasing United States real property.

10 Down Agency issuing ITINs (abbreviation).

Answer: **IRS**

The IRS (Internal Revenue Service) is the issuing agency. The necessary forms are available on the IRS web site--www.IRS.gov.

9 Down An ITIN application must demonstrate a _____ need.

Answer: **TAX**

The IRS will only issue ITINs based on applications that are complete and demonstrate a U.S. federal tax need for the number.

3 Across Standard of proof that the ITIN will be used for tax purposes.

Answer: **CONTRACT**

A copy of the USRPI sales contract or an original completed federal tax return are the two major standards of proof needed by the IRS to successfully complete the application for an ITIN.

6 Down Allow _____ weeks for ITIN written approval.

Answer: **SIX**

The IRS says to allow six weeks for an ITIN written approval. This means the application must be completed and submitted at least that six weeks prior to closing but it would be advisable to submit it 8-10 weeks before the closing date if possible.

5 Across Percentage withheld of gross rental receipts when managing real property for a foreign client.

Answer: **THIRTY**

Thirty percent is a significant amount of money to be withheld each month from the gross rental income of a foreign property owner. You must do this withholding to avoid personal liability. There are possible exemptions from this withholding known as “effectively connected income.” This can be applied for, by the property owner, through the IRS. Unless the foreign investor provides a duplicate copy to the property manager of the “effectively connected income” forms from the IRS, the manager should withhold the 30%.

8 Down Person directly responsible for withholding FIRPTA tax.

Answer: **PURCHASER**

The purchaser is directly responsible for withholding the tax, although an attorney or real property professional involved in the transaction, as agents of either the purchaser or seller, can be held liable for an amount equal to their compensation from the transaction if they know the purchaser has been given a false certification or statement claiming an exemption from withholding. The government places the liability on the purchaser because they will be here long after the seller is gone.