

# Get the facts about: Foreign Investor Real Property Tax Act (FIRPTA)

## Understanding the Facts about FIRPTA

The disposition of a U.S. real property interest by a foreign person is subject to the Foreign Investment in Real Property Tax Act of 1980 (FIRPTA) income tax withholding. FIRPTA authorized the United States to tax foreign persons on dispositions of U.S. real property interests. A disposition means "disposition" for any purpose of the Internal Revenue Code. This includes but is not limited to a sale or exchange, liquidation, redemption, gift, transfers, etc.<sup>1</sup>

The California Association of Realtors® distributed an article on January 26, 2010 to its members stating that some companies refuse to complete a Qualified Substitute affidavit to assist buyers in complying with FIRPTA. CAR did not seek an official statement from the companies cited, based the article on hearsay, and misled its members. As a result, the article has caused confusion about the process for handling FIRPTA transactions.

## Our FIRPTA Practices

Chicago Title has ALWAYS assisted Realtors® in obtaining the signature on any form or document presented to the escrow agent. If FIRPTA does apply, Chicago Title will follow the instructions of the principals in withholding and remitting the payment to the IRS on their behalf. Additionally, Chicago Title has a process in place for accommodating a holdback of funds if the seller has applied for a Withholding Certificate.

## Be Confident with FIRPTA

Contact Chicago Title to learn more about how we can help you with your next FIRPTA transaction.



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