



PAYAN & PAYAN
CERTIFIED PUBLIC ACCOUNTANTS

Payan & Payan CPAs, LLC
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Memo

To: Foreign Investors
From: Jason D. Payan, CPA
Re: U.S. Real Estate Purchase by a Foreign Individual

The following memo is a brief outline of the income tax consequences to foreign non-resident citizens of the United States that purchase real estate property in or around the Las Vegas, Nevada area. For a more detailed analysis of a particular situation we strongly suggest that you contact our office directly and speak with one of the Certified Public Accountants (CPAs). Our contact information is as follows:

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7936 West Sahara Avenue
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PERSONAL/VACATION USE:

Purchase of Property:

- Property should be purchased in your personal name

Holding/Use of Property:

- No annual U.S. tax return is required
- Continue to use property was normal

Sale of Property:

- Upon sale of the property the escrow/title company in-charge of the transaction will withhold or hold back 15% of the gross/total purchase price and send it to the Internal Revenue Service (IRS) as a pre-payment against any potential U.S. income taxes you might owe.
- You must file a U.S. income tax return, one-time only, to either get your money back or pay the remaining tax you owe on the sale of the home.

RENTAL USE:

Purchase of Property:

- Property should be purchased in your personal name

Holding/Use of Property:

- Must file an annual U.S. income tax return to report the income/expenses of the rental property
 - Must obtain a United States Individual Taxpayer Identification Number (ITIN)
 - An ITIN can be applied for prior to filing your first U.S. income tax return.
- If you are using a management company to take care of the rental property then the management company is required by law to withhold or hold back 30% of the gross rental income each month and submit that to the IRS as payment for any U.S. income tax you might owe
 - You will need to file an income tax return each year to get that money back or pay tax
 - To stop the withholding you must do the following:
 - Obtain an ITIN
 - File IRS Form W-8ECI with the withholding company to certify that you will file a U.S. tax return and report the income & expenses from the rental property.
- It is recommended (but not necessary) that you set up a U.S. bank account to receive the rental income and to pay the rental expenses.
 - To set up a U.S. bank account you generally will need the following:
 - United States address
 - Two forms of identification
 - Passport
 - Foreign Driver's License
 - Credit Card
- If setting up a U.S. entity to hold legal title to the property you will need the following:
 - Establish an entity
 - If you chose to set up an entity we would strongly suggest that a Limited Liability Company (LLC) be established
 - The fees associated with setting up an entity are as follows:
 - Annual Secretary of State Fee \$ 150.00
 - Annual State of Nevada Business License \$ 200.00
 - Annual Resident Agent Fee (Payan & Payan) \$ 100.00
 - One-time set up fee (Payan & Payan) \$ 1,100.00

Sale of Property:

- Upon sale of the property the escrow/title company in-charge of the transaction will withhold or hold back 15% of the gross/total purchase price and send it to the Internal Revenue Service (IRS) as a pre-payment against any potential U.S. income taxes you might owe.
- You must file a U.S. income tax return, one-time only, to either get your money back or pay the remaining tax you owe on the sale of the home.

Certificate of Foreign Person's Claim That Income Is Effectively Connected With the Conduct of a Trade or Business in the United States

Department of the Treasury
Internal Revenue Service

▶ Section references are to the Internal Revenue Code.
▶ Information about Form W-8ECI and its separate instructions is at www.irs.gov/formw8eci.
▶ Give this form to the withholding agent or payer. Do not send to the IRS.

Note. Persons submitting this form must file an annual U.S. income tax return to report income claimed to be effectively connected with a U.S. trade or business (see instructions).

Do not use this form for:

Instead, use Form:

- A beneficial owner solely claiming foreign status or treaty benefits W-8BEN or W-8BEN-E
- A foreign government, international organization, foreign central bank of issue, foreign tax-exempt organization, foreign private foundation, or government of a U.S. possession claiming the applicability of section(s) 115(2), 501(c), 892, 895, or 1443(b) W-8EXP

Note. These entities should use Form W-8ECI if they received effectively connected income and are not eligible to claim an exemption for chapter 3 or 4 purposes on Form W-8EXP.

- A foreign partnership or a foreign trust (unless claiming an exemption from U.S. withholding on income effectively connected with the conduct of a trade or business in the United States) W-8BEN-E or W-8IMY
- A person acting as an intermediary W-8IMY

Note. See instructions for additional exceptions.

Part I Identification of Beneficial Owner (see instructions.)

1 Name of individual or organization that is the beneficial owner	2 Country of incorporation or organization
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3 Name of disregarded entity receiving the payments (if applicable)

4 Type of entity (check the appropriate box):

<input type="checkbox"/> Partnership	<input type="checkbox"/> Simple trust	<input type="checkbox"/> Individual	<input type="checkbox"/> Corporation
<input type="checkbox"/> Government	<input type="checkbox"/> Grantor trust	<input type="checkbox"/> Complex trust	<input type="checkbox"/> Estate
<input type="checkbox"/> Private foundation	<input type="checkbox"/> International organization	<input type="checkbox"/> Central bank of issue	<input type="checkbox"/> Tax-exempt organization

5 Permanent residence address (street, apt. or suite no., or rural route). **Do not use a P.O. box or in-care-of address.**

City or town, state or province. Include postal code where appropriate.	Country
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6 Business address in the United States (street, apt. or suite no., or rural route). **Do not use a P.O. box or in-care-of address.**

City or town, state, and ZIP code

7 U.S. taxpayer identification number (required—see instructions) <input type="checkbox"/> SSN or ITIN <input type="checkbox"/> EIN	8 Foreign tax identifying number
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9 Reference number(s) (see instructions)	10 Date of birth (MM-DD-YYYY)
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11 Specify each item of income that is, or is expected to be, received from the payer that is effectively connected with the conduct of a trade or business in the United States. (attach statement if necessary)

Part II Certification

Under penalties of perjury, I declare that I have examined the information on this form and to the best of my knowledge and belief it is true, correct, and complete. I further certify under penalties of perjury that:

- I am the beneficial owner (or I am authorized to sign for the beneficial owner) of all the payments to which this form relates,
- The amounts for which this certification is provided are effectively connected with the conduct of a trade or business in the United States,
- The income for which this form was provided is includible in my gross income (or the beneficial owner's gross income) for the taxable year, **and**
- The beneficial owner is not a U.S. person.

Furthermore, I authorize this form to be provided to any withholding agent that has control, receipt, or custody of the payments of which I am the beneficial owner or any withholding agent that can disburse or make payments of the amounts of which I am the beneficial owner.

I agree that I will submit a new form within 30 days if any certification made on this form becomes incorrect.

Sign Here

Signature of beneficial owner (or individual authorized to sign for the beneficial owner)	Print name	Date (MM-DD-YYYY)
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I certify that I have the capacity to sign for the person identified on line 1 of this form.