

Circular 230 Disclosure

Pursuant to IRS Circular 230, Saul Larner, Ph.D., LL.M., dba Larner Preferred International, is providing you with the following notification. The information contained in this presentation is not intended to (and cannot be used by anyone to avoid IRS penalties). This presentation supports the promotion, marketing and planning techniques of real estate relates to investment and personal residence, but not taxation.

You should seek advice based on your particular circumstance from an independent tax advisor or attorney. The above named advisor does not render tax or legal advice, although many segments of real estate sales and marketing advice overlap.

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FOREIGN PERSONS INVOLVED IN REAL ESTATE TRANSACTIONS

Foreign ownership of U.S. real estate continues to grow in leaps and bounds in the California marketplace. Some acquire property as a part-time residence, some for investment and in other cases in order to conduct a U.S. business. The U.S. tax rules that apply to ownership and dispositions of U.S. real estate by foreign persons are different in some important respects from the rules that apply to U.S. persons.

As highly skilled advisors, we well know how to properly transact business with foreign investors in U.S. real estate, and to avoid certain personal liabilities for improper U.S. federal income tax compliance, as it pertains to real estate investment advice.

We will consult with you and any appropriate advisors in areas including but not limited to:

1. The curtailment or legal avoidance of estate taxes.
2. Whether an entity is best treated as U.S. or foreign
3. Compliance with the Foreign Investment in Real Property Tax Act (FIRPTA) for sale by foreign persons of U.S. real property interests.
4. Fundamentals of U.S. federal income taxation of foreign investors with U.S. rental income.

Following is an example of one potential procedure for FIRPTA withholding.

1. A Delaware LLC is formed and managed by a Belize related company.
2. A Belize IBC is formed to loan money to the LLC.

Note: We use the IBC to loan money rather than having a foreigner do so. There are better estate tax results this way. If the foreigner loans to the LLC, that note is secured by the U.S. real estate and would be an asset subject to U.S. estate tax for a non resident or resident alien. However, if a Belize IBC makes the loan, then there is no US estate tax for the Belize IBC.

The foreigner can hold the shares in the Belize IBC and that is not taxable in the U.S. This is a turn key operation.

3. The foreigner makes offers on real estate and instructs that title be taken in the name of the LLC.
4. A U.S. Trust account is set up at a U.S. Bank for the Belize IBC.
5. U.S. lenders will loan money for purchase of the properties.
6. A deed of trust will be provided as a security instrument to be recorded against the property along with a promissory note.