

U.S. TAX RETURN WITH FIRPTA WITHHOLDING



HOW IT WORKS

Every foreign seller is required to file a US income tax return after year end to report the sale and pay any necessary income tax on net capital gains.

Net capital gains are the profit realized on the sale after deducting:

- The purchase price
- Improvements
- Expenses of sale

The FIRPTA withholding is almost always higher than the actual tax as it is solely based on the sales price and not on the net capital gains. Tax returns need to be filed in order to recover the excess withholding.

In the US, State and Federal require two different returns. Most states do not require withholding and therefore, sellers may owe State income tax.

According to the IRS website, it can take up to 6 months to get a refund. However, most people get it in 60-90 days.

FILING YOUR RETURN

Eckelberg & Weinshienk will make the filing process as smooth and easy as possible. We will optimize all possible deductions and take into account your specific circumstances to ensure your tax return is to your best advantage.

We are here to help!

EXAMPLE

Katie sold her home in Arizona for \$500,000. Her FIRPTA withholding was 15% of the sales price, which is \$75,000.

After deducting the expenses of sale, improvements, and what she originally paid for the home, her profit is \$200,000. She is taxed on that amount.

- Federal tax is \$30,000
- State tax is \$8,000

Since \$75,000 was withheld under FIRTPA, she is getting a refund from Federal of $75,000 - 30,000 = \$45,000$.

Arizona had no withholding and therefore, she owes the state \$8,000.

