

Foreign Investors

Foreign investors are potential buyers for Bed and Breakfast Inns. There are several reasons for wanting to buy an Inn and two keys of value to the foreign investor: Immigration status and US Tax considerations. There are several different business Visas. E-1, E-2, EB-5, L1-A that influence property and business purchasing.

Using the term “foreign investment” refers to the creation of a new company, the buying of an existing company, or investing in real estate properties.

Foreign Investment in real property can be used as an immigration strategy for business opportunity and the business does not need to be making money. Financing terms are somewhat different and differ by country.

Canada, Great Britain & Australia, among other nations have a treaty of commerce with the United States which allows investors from these nations to create or purchase business enterprises in the United States which can be used for a long term treaty investor visa known as the E2 visa.

Some foreign investors are already aware of the FIRPTA tax withholding, which is mandatory for any transaction involving the sale of property by a foreign seller that needs to be taken into consideration, is the The Foreign Investment in Real Property Tax Act of 1980, or FIRPTA, as it is commonly known, mandated that 10% of the purchase price be withheld for this tax.

Recently, Congress passed the Protecting Americans from Tax Hikes Act of 2015 (also referred to as PATH), on December 18, 2015, which, among other things, increased the FIRPTA withholding from 10% to 15%. This increase was effective February 17, 2016.

Under the new legislation, a foreign national selling a personal residence property of \$300,000 or less would pay no FIRPTA tax. If his personal residence property is worth between \$300,000 and \$999,999, then a 10% FIRPTA withholding would apply. If the property, whether or not it was used a residence, was worth \$1 million or more, a 15% FIRPTA withholding would apply.

I recommend working with an Immigration and Tax Attorney for a smooth transition and a Bed and Breakfast Consultant who has experience in this type of buyer.

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