

FOREIGN BUYER'S GUIDE

The United States is very friendly to foreigners looking to invest in property in the country. There are **no** government restrictions or additional fees imposed on non-US citizens purchasing US real estate. In fact, there are very few differences between a foreign and domestic buyer when purchasing property in the US.

This guide is for foreign nationals interested in buying an apartment or home in NYC, Miami or any other location in the US. Using the experiences of foreign buyers we've worked with as a starting point, we developed this guide with a focus on tax issues, US practices, and determining the type of properties best to purchase. When read in conjunction with our Home Buying Guide, we hope this guide will help any foreign buyer better understand the world of real estate in the United States.

ABOUT US

Manhattan Miami Real Estate has been serving foreign buyers in the United States real estate market over 10 years. In that time, we've amassed knowledge that helps buyers from around the world make sound real estate investments in New York City and Miami.

In this guide, you will find some useful information for non-US residents looking to purchase property in NYC and Miami, to take the guesswork out of your search for a new home. We created this guide as a web page for better mobile optimization and accessibility. You can bookmark this page for future reading, save it to the reading list on your mobile device, or print a hard copy. If you'd still like a PDF version of this eBook, you can download the infographic version here:

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PART 1 US REAL ESTATE MARKET IS VERY TRANSPARENT

The US real estate market is very transparent, especially compared to many other countries. Closed sales transaction data becomes publicly available within 60 days after closing. In addition, agents are required to publicly post their exclusive listings within 24 hours, giving all agents access to inventory for sale.

Accordingly, a buyer doesn't need to go from agent to agent to find a property. We have access to all homes and apartments for sale in New York City and Miami and can assist our buyers in the purchase of any one of them. Since we are well-connected real estate agents, we can help distinguished buyers find and secure the best properties, even when they haven't been listed for sale yet.



PART 2 COMMISSIONS ARE PAID BY THE SELLER

Broker sales commissions are always paid by the seller (and then divided equally between both the buyer's and seller's brokers), so buyers don't pay anything to have a buyer's agent working on their behalf. This is called co-brokering and represents over 80% of sale transactions in the US.

It is always advisable for a buyer to work with their own buyer agent and not the seller's agent. An Exclusive Buyer Agent will protect the buyer's interests in the transaction. The seller's agent will not—they work for the seller!



PART 3 NO EXTRA STAMP DUTIES FOR FOREIGN BUYERS

To deter foreign buyers, London, Hong Kong, Singapore, Vancouver, Melbourne and Sydney all impose an extra stamp duty (ranging from 7% to 30% of the purchase price) on non-residents purchasing property. That's not the case in the US. Foreign buyers are treated equally as US buyers in this regard.



PART 4 FOREIGN BUYERS SHOULD FOCUS ON CONDOS, NOT COOPS

Generally, co-ops are for a primary residence. Foreign buyers, therefore, should focus on purchasing condos, condos, houses or townhomes. Unless the buyer has a long history of working and living in the US, co-ops are generally out of reach, as they require the buyer's main source of income to be from the US and the bulk of their assets to reside in the US.

Co-ops require this because they are ultra-conservative corporations that know it would be very difficult to collect on a judgment issued against one of their foreign owners in the event of a lawsuit. Even if a corporation obtained a judgment against a foreign owner, it would likely be uncollectible since the owner's assets would be sitting in another country, outside the jurisdiction of US courts.

HSBC is one of the best retail banks offering mortgages to foreigners. Other private banks like JP Morgan Chase, BNY Mellon and Citi Private all provide mortgages to foreigners, often at very good rates.



Condos provide owners...

...with many more rights as to the usage of the property. To learn more about the different types of properties in NYC and Miami, read our article:

DETERMINE THE TYPE OF PROPERTY TO BUY

PART 5 FINANCING IS READILY AVAILABLE TO FOREIGN BUYERS

Qualified international buyers can obtain financing for properties through retail banks or private banks. Generally, retail banks will offer these terms:

- 30% down payment for a second home and 40% down payment for an investment property.
- \$300,000 loan maximum. At 70% loan-to-value, the property purchase price would equate to \$4.2 million.
- Some banks may also require foreign buyers to hold a \$100,000 deposit with the bank in the interest of developing a long-term relationship outside the mortgage loan.



Private banks may offer higher loan limits and better rates depending upon your relationship with the bank.

READ MORE ABOUT MORTGAGES

PART 6 INVESTORS PAY NO TAX ON RENTAL INCOME FOR THE FIRST 10-15 YEARS OF FINANCING

Investors who finance their purchases will likely not pay income taxes on the net rental income for the first 10 to 15 years since the US government is very generous in allowing expenses to be deducted from rental income. This is true for both local and foreign investors. Deductions from rent include the following main expenses:

- Mortgage interest
- Common charges
- Property taxes
- Straight-line depreciation of the purchase price over 27.5 years



Deducting these expenses will generate...

negative taxable income which, under US tax law, can be carried forward to offset income in future years. These tax losses can be carried forward up to 15 years! In many circumstances, this results in **no** income taxes paid for many years. See the [Cost Components of an Investment](#) section of this website for further information.

COST COMPONENTS OF AN INVESTMENT

PART 7 FOREIGN BUYERS MUST ELECT TO OFFSET EXPENSE FOR INCOME TAX

Foreign nationals must elect to pay US income taxes on any net income (rental revenues minus expenses) derived from rental property. If this election is not made in a timely fashion (for example, if US income tax returns not filed), a tax of 30% of the gross rental income will be assessed. Under this scenario, the investor would not be able to deduct any expenses, including depreciation, interest, property taxes, common charges, etc. Even if the Foreign Investor is incurring tax losses in the beginning years of their investment, and therefore doesn't owe any taxes to the government, they still must file their tax returns in a timely manner to make the election.



PART 8 FIRPTA WITHHOLDING

When a non-resident sells US property, the Internal Revenue Service wants to be sure they get paid capital gains taxes. Accordingly, under the Foreign Investment in Real Estate Property Tax Act (FIRPTA for short), the IRS withholds 10% of the gross purchase price of the property. When a US tax return is submitted reporting the capital gains tax, if there is any refund due, that money will be refunded to the filer.



PART 9 FOREIGN BUYERS MUST PLAN TO AVOID THE ESTATE TAX or DEATH TAX

When a Foreign Buyer dies, his or her estate will be taxed by the federal government at close to 46%. While US citizens and Green Card holders are exempt for the first \$5.45 million (with married couples exempt \$10.9 million), non-US citizens are exempt only \$60K. With some upfront estate tax planning, however, foreign buyers can either eliminate the tax or hedge against it.

Using a Foreign Corporation structure (that is, BVI, Cayman, etc.) as the vehicle to purchase a property, the foreign owner would not be subject to the estate tax. The owner would own shares in a foreign corporation, which are not subject to the US estate tax. Corporate tax rates, however, are higher than individual rates, so using the foreign corporation is not always the best structure.

To hedge against the estate tax, many of our foreign clients use a term life insurance policy to cover the tax and provide for one's heirs in the event of death.

Sign up for our newsletter to get the latest updates on real estate tax issues:

Email

SUBSCRIBE

PART 10 FOREIGN BUYERS SHOULD CONSULT WITH THEIR HOME COUNTRY TAX SPECIALISTS

Depending on the home country of a foreign buyer, their overall tax liability may be different than that of a US resident, and may be higher or lower than other foreign buyers. This depends on the tax treaty a foreign buyer's home country has signed with the US, if any. Consult with a local tax lawyer who is familiar with the specifics of your home country's US tax treaty for clarity surrounding your specific tax liabilities.



PART 11 FOREIGNERS CAN DEFER CAPITAL GAINS TAXES BY BUYING ANOTHER INVESTMENT PROPERTY

The US government allows all sellers to use Section 1031 of the IRS Code to defer capital gains taxes. By exchanging one property for the other, the tax basis of the old property is transferred to the new property, effectively allowing the buyer to buy the new property pre-tax. Ultimately, the rules are quite complex and should be followed closely; otherwise, the transaction won't qualify for deferral.



Learn more about how you can manage capital gains taxes using this allowance.

MANAGE CAPITAL GAINS TAXES

PART 12 FOREIGN BUYERS DO NOT HAVE TO BE IN THE US TO CLOSE THE DEAL

The new owner does not need to be in the US at the closing of the transaction when the property's title is transferred to the new owner. Rather, the new owner can provide his or her representative, usually their real estate attorney with "Power of Attorney" to complete the transaction. Alternatively, if purchasing with an LLC, a Letter of Consent achieves the same result of allowing a representative to close the deal on behalf of the new owner. This is quite common and convenient for the buyer who does not want to come back to the US for the closing. Generally, we would attend the walk-through of the property on behalf of the buyer right before closing.



KEY TAKE AWAYS:

- US Market is Transparent.
- Foreigners treated the same as US buyers
- Financing available to non-US residents
- Consult home country tax specialist
- No 'Extra' stamp duties for foreigners
- Buyers don't pay brokerage commission
- Can buy Condos, not Coops
- Structure purchase to avoid/hedge estate tax
- Defer capital gains by buying another property



FREQUENTLY ASKED QUESTIONS FOR FOREIGN BUYERS OF US REAL ESTATE

VIEW FAQs

LET'S CHAT



Find a time to meet
Anthony

November						
SUN	MON	TUE	WED	THU	FRI	SAT
29	30	31	1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	1	2

UTC -05:00 Eastern Time

Book a 30-minute meeting

What time works best?

4:00 pm

4:30 pm

6:30 pm

7:00 pm

SCHEDULE AN IN-PERSON MEETING WITH OUR TEAM

SCHEDULE A MEETING

OUR OFFICE

MANHATTAN OFFICE
157 Columbus Avenue, 4th Fl
New York, NY 10023

MANHATTANMIAMI

HOW WE SERVE
COMPANY
RESOURCES
WHY MANHATTAN
WHY MIAMI

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LET'S CHAT

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