

INVESTMENT STRUCTURES FOR FOREIGN INVESTORS IN U.S. REAL ESTATE



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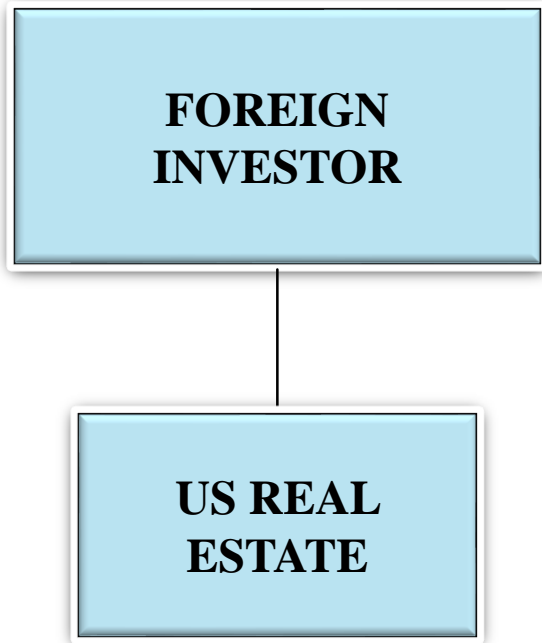
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INTRODUCTION

- The foreign investor will find that there is no easy and ideal structure for investing in U.S. real estate. The foreign investor should determine their short- and long-term goals, evaluate the purpose of the investment, and try to quantify the costs and benefits of each structure
- Finally, the foreign investor must seek professional legal and tax advice on these matters in both the U.S. and their home country to determine their obligations.

INDIVIDUAL DIRECT OWNERSHIP



Advantage

- Simple
- FIRPTA Capital gain rate may apply
- No Franchise Tax

Disadvantage

- No asset / legal protection
- Estate Tax
- Gift Tax
- Federal Tax Return Required
- FIRPTA applies to sale

INDIVIDUAL/ U.S. LLC OWNERSHIP

**FOREIGN
INVESTOR**

**U.S. LLC
(DISREGARDED)**

**U.S.
REAL
ESTATE**

Advantages:

- Asset Protection
- LT capital gains rate may on sale of property
- No franchise tax

Disadvantages:

- Estate tax
- Gift tax
- Federal Tax Return by foreign Investor
- FIRPTA applies on sale of property

OWNERSHIP THROUGH U.S. CORPORATION

FOREIGN INVESTOR

U.S. CORPORATION

**U.S.
REAL
ESTATE**

Advantages:

- Asset Protection
- No gift tax on transfer of shares
- No U.S. tax return for foreign shareholder(s)
- No FIRPTA on sale of property
- Corp Tax at 21%

Disadvantages:

- Estate tax
- Federal tax on sale at 21%
- No LT capital gains rate on sale of property
- FIRPTA may apply to sale of U.S. shares
- State Franchise tax

OWNERSHIP THROUGH FOREIGN CORPORATION

FOREIGN INVESTOR

FOREIGN CORPORATION

U.S. REAL ESTATE

Advantages:

- Asset Protection
- No estate tax
- No gift
- No U.S. tax return for foreign shareholder(s)
- No FIRPTA on sale of foreign stock
- Corp Tax at 21%

Disadvantages:

- 21% Federal tax on sale of property
- State franchise tax
- FIRPTA applies to sale of property
- Branch Profits Tax

OWNERSHIP THROUGH FOREIGN AND U.S. CORPORATIONS

FOREIGN INVESTOR

FOREIGN CORPORATION

U.S. CORPORATION

REAL ESTATE

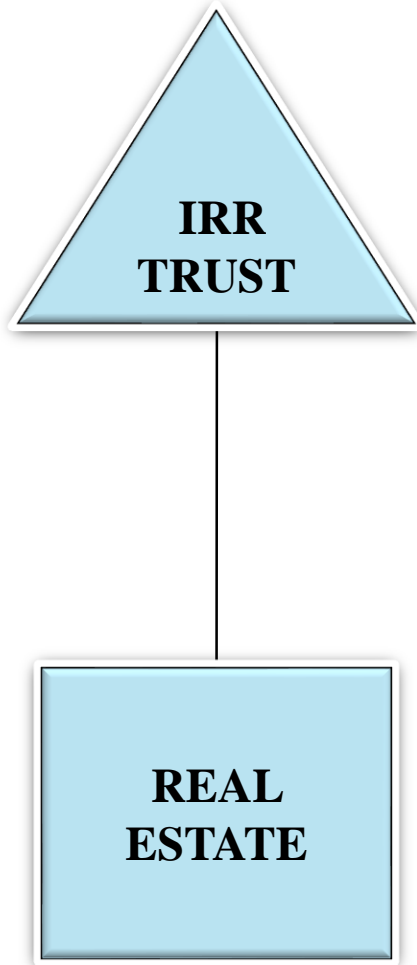
Advantages:

- Asset Protection
- No estate tax
- No gift tax on transfer of the shares
- No U.S. tax return for foreign shareholder(s)
- No FIRPTA on sale of property
- No FIRPTA on sale of foreign stock
- US Corp Tax at 21%

Disadvantages:

- 21% Federal tax on sale of property
- State franchise tax
- FIRPTA may apply to sale of U.S. shares
- No LT capital gains rate

OWNERSHIP THROUGH IRREVOCABLE TRUST



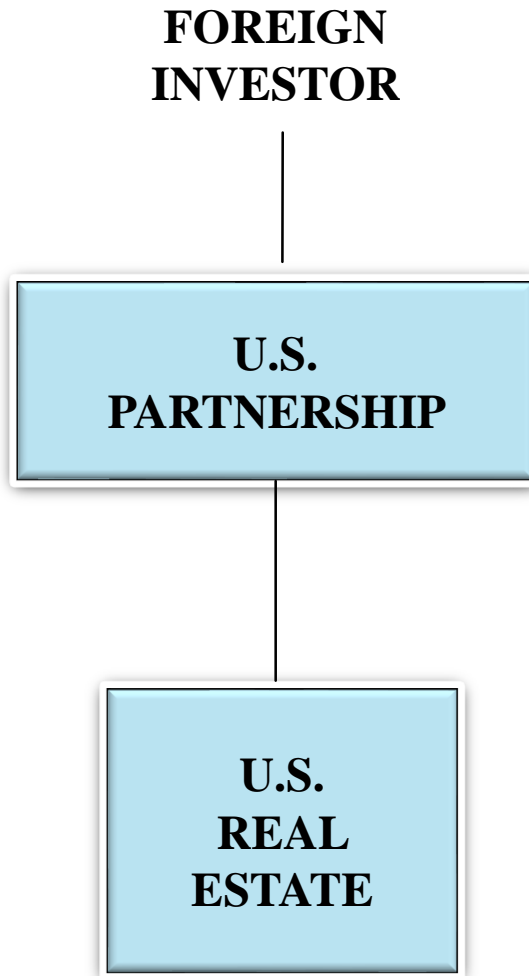
Advantages:

- No estate tax
- No gift tax (if LLC transferred to trust prior to closing)
- No U.S. tax return for foreign investor(s)
- LT capital gains rate on sale of property
- Succession plan
- No franchise tax
- Better for personal use property

Disadvantages:

- Requires irrevocable transfer of property
- FIRPTA applies to sale of property
- Not good for commercial or rental property

OWNERSHIP THROUGH U.S. PARTNERSHIP



Advantages:

- Asset Protection if limited partner
- Ability to joint venture with others
- No gift tax on gift of interest
- No tax at entity level
- LT capital gains rate applies

Disadvantages:

- Estate Tax
- Federal Tax Return by Investor
- Partnership with holding of foreign partners
- FIRPTA applies at partnership & partner level
- Franchise tax may apply

OWNERSHIP THROUGH U.S. PARTNERSHIP & CORPORATION

**FOREIGN
INVESTOR**

**U.S.
CORPORATION**

**U.S.
PARTNERSHIP**

**U.S.
REAL ESTATE**

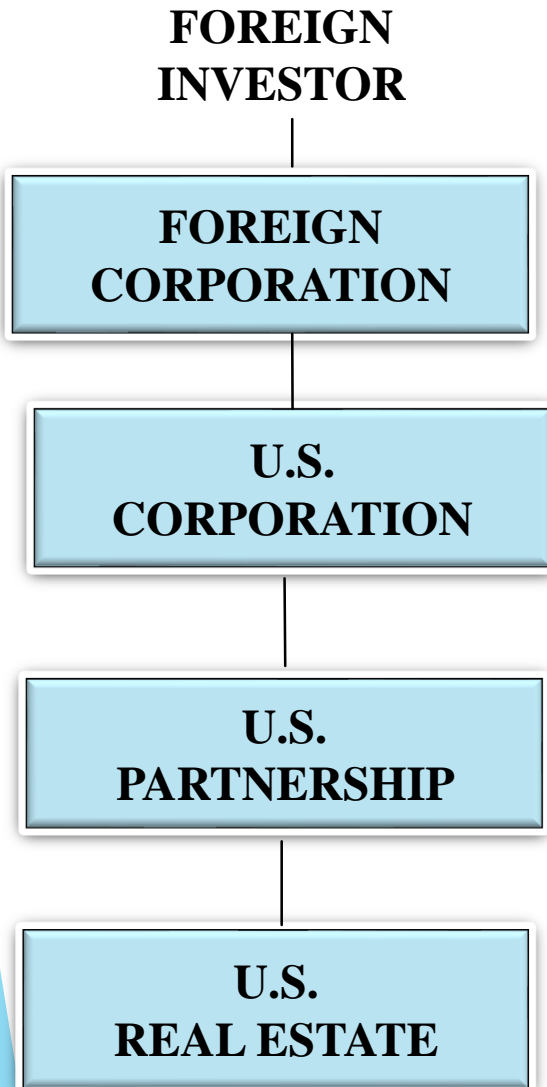
Advantages:

- Asset Protection
- Ability to joint venture
- No gift on transfer of shares
- No U.S. tax return for foreign shareholder
- No FIRPTA on sale of property

Disadvantages:

- Estate Tax
- Federal Tax rate on sale at 21%
- No LT capital gains rate
- FIRPTA may apply to sale of U.S. stock

OWNERSHIP THROUGH U.S. PARTNERSHIP /U.S. CORP/FOREIGN CORPORATION



Advantages:

- Asset Protection
- Ability to joint venture
- No gift on transfer of shares
- No estate tax on foreign investors
- No FIRPTA on sale of property
- No FIRPTA on sale of foreign stock
- Corp Tax at 21%

Disadvantages:

- Federal Tax rate on sale at 21%
- No LT capital gains rate
- State Franchise Tax may apply
- FIRPTA may apply to sale of U.S. stock

DISCLAIMER

This information is a presentation of the general rules and should not be used or relied upon for any particular investments or transaction. We recommend you consult your tax attorney or advisor for your specific situation. If you would like more information on these matters, we would be glad to visit with you.

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THANK YOU!

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