

Cross Border Business Law Blog

President Obama Signs Protecting Americans from Tax Hikes Act of 2015

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Today President Obama signed the Protecting Americans from Tax Hikes Act of 2015 or PATH Act. Among the provisions in the PATH Act is an increase from 10% to 15% for the Foreign Investment in Property Tax Act (FIRPTA) withholding tax on dispositions of U.S. real estate by foreign persons. The PATH Act also increases the FIRPTA withholding exemption for sales of residences from \$300,000 to \$1.0 million. Purchasers of U.S. real estate from foreign sellers need to be aware of these tax law changes to insure that the proper amount of tax is withheld so penalties are avoided. Even though the FIRPTA withholding tax on disposing of U.S. real estate has increased, a foreign seller must still file a U.S. tax return and determine the actual U.S. tax and pay the tax. The increased FIRPTA will be applied to taxes due and if it exceeds the tax liability is refundable.

Tags: FIRPTA, Foreign Investment in Property Tax Act, foreign sellers, President Obama, Protecting Americans from Tax Hikes Act of 2015, sales of residences, U.S. real estate