



# Is Your U.S.-Based Property at Risk?

Alan Hazley Life Insurance Professional

[alansagency@yahoo.com](mailto:alansagency@yahoo.com)

941-755-9791

[www.alansagency.com](http://www.alansagency.com)



## Estate Tax Exposure for Non-Resident Aliens Owning U.S. Real Estate

If you own real estate in the United States (U.S.) and you are not a U.S. citizen, your property may be exposed to U.S. federal estate tax upon your death. Under U.S. federal law, non-U.S. citizens residing permanently outside of the U.S. may be subject to estate taxes on U.S.-based real estate, depending on the manner in which title to this property is held. If this tax applies, and your family does not have cash to pay this liability within nine months of your death, they may be forced to sell your property in order to generate the cash necessary to pay the tax bill. In other words, instead of receiving the entire value of your U.S.-based property, your loved ones will receive only a fraction. Use the chart below to determine your potential exposure to U.S. federal estate tax.

### How do you own your U.S.-based real estate?

	DIRECT	U.S. CORPORATION	FOREIGN CORPORATION	U.S. PARTNERSHIP	FOREIGN PARTNERSHIP
<b>Are You Exposed to U.S. Estate Tax?</b>	Yes. Fair market value of property on date of death is subject to estate tax.	Yes. Fair market value of corporate assets on date of death will be subject to estate tax in proportion to shareholder's ownership interest.	No.	Possibly. <sup>1</sup> Fair market value of partnership assets on date of death may be subject to estate tax in proportion to partner's ownership interest.	Possibly. <sup>2</sup> Fair market value of partnership assets on date of death may be subject to estate tax in proportion to partner's ownership interest.
<b>Maximum Amount That You Are Allowed to Shelter From Tax</b>	\$60,000	\$60,000	N/A	\$60,000	\$60,000
<b>Estate Tax Rate Applicable to Value in Excess of \$60,000</b>	40% top tax rate	40% top tax rate	N/A	40% top tax rate	40% top tax rate

### How can you maximize what you leave to your loved ones when you can no longer be there for them?

Life insurance is a way to address the concerns created by U.S. estate taxes. With life insurance, you can:

- Provide immediate cash necessary to pay these taxes
- Keep your hard-earned property in the family
- Ensure your family will receive the entire value of your estate
- Enjoy U.S. income tax-deferred growth of policy cash values

There is some risk that the Internal Revenue Service might assert that a domestic and/or foreign partnership engaged in a U.S. trade or business will be classified as a U.S. situs asset for purposes of the U.S. estate tax on non-resident alien decedents. (See Revenue Ruling 55-701, 1955-2 C.B. 836, 1955 WL 9534). This material was not intended or written to be used, and cannot be used, to avoid penalties imposed under the Internal Revenue Code. This material was written to support the promotion or marketing of the products, services, and/or concepts addressed in this material. Anyone to whom this material is promoted, marketed, or recommended should consult with and rely solely on their own independent advisors regarding their particular situation and the concepts presented here. Alan Hazley does not give tax or legal advice. This material is provided for informational purposes only and should not be construed as tax or legal advice. Discussions of the various planning strategies and issues are based on our understanding of the applicable federal income, gift, and estate tax laws in effect at the time of publication. However, tax laws are subject to interpretation and change, and there is no guarantee that the relevant tax authorities will accept Alan Hazley's interpretations. Additionally, this material does not consider the impact of applicable state or foreign laws and regulations or income or estate tax treaties between the U.S. and other countries upon clients and prospects. Clients should consult with and rely on their own legal and/or tax advisor to determine the consequences, if any, of owning or receiving proceeds from a life insurance policy. Although care is taken in preparing this material and presenting it accurately, Alan Hazley disclaims any express or implied warranty as to the accuracy of any material contained herein and any liability with respect to it. This information is current as of March, 2013. Life insurance policies are issued by life insurance companies. All policies may not be available in all jurisdictions.