

Foreign Owners of U.S. Rental Property

All foreign investors owning U.S. rental property are responsible for paying taxes on any and all rental income they earn in the U.S. regardless of any tax treaties that may exist.

You can either pay a flat tax of 30% of your gross rental income or elect to file an annual US tax return and reduce your taxes by claiming deductions relating to ownership and managing the property. (i.e. Property Taxes, Insurance, Management Costs, etc.)

With either method of taxation, you must have an Individual Taxpayer Identification Number (ITIN).

Obtaining A Taxpayer ID

As soon as possible, you need to obtain a U.S. 'Individual Taxpayer Identification Number' (ITIN) for each owner of the property (Each person listed on the property deed). The application is done with IRS Form W-7, and you must provide original certified identification documents.

[IRS Form W-7](#) **[IRS Form W-7 Instructions](#)**

The IRS has 'Certified Acceptance Agents' who are authorized to certify your original documents and process the application. The W-7 form may look easy and you may want to process it yourself but save yourself time and visit an agent. Certified Acceptance Agents are located worldwide. Contact an agent in your country of residence. It normally takes 4-6 weeks for your W-7 to be processed by the IRS.

Here is a link to the IRS website, listing Certified Acceptance Agents by Country.

[IRS Certified Acceptance Agents](#)

Upon receiving your ITIN number from the IRS, you must provide us with a copy of the IRS letter showing your new Individual Taxpayer Identification Number (ITIN).

Form W-8ECI

The Internal Revenue Service (IRS) requires us as a property manager to withhold 30% of your gross rents to ensure you will file a tax return at year end. This is obviously very costly to you and cumbersome for us. However, there is an alternative that will exempt you from the mandatory 30% withholding. After obtaining an Individual Taxpayer Identification Number (ITIN), submit the Form W-8ECI to us.

[Note: Do not send the Form W-8ECI to the IRS. Send it to us, your property management company.](#)

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[IRS Form W-8ECI](#)

[IRS Form W-8ECI Instructions](#)

By filing Form W-8ECI you eliminate the mandatory 30% tax withholding as it notifies the property manager (and the IRS) you will be filing annual tax returns to report your income and your expenses related to the rental property. Most generally, you will file Form 1040NR (Nonresident Tax Return) with the IRS.

you should consult with your tax professional.

W-8ECI Form remains in effect for a period starting on the date the form is signed and ending on the last day of the third succeeding calendar year, unless a change in circumstances makes any of the information on the form incorrect.

If you do not file a form W-8ECI with us, your property manager, we are REQUIRED by law to withhold 30% of your income from the rental and forward the funds to the IRS.

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Form 1042-S

At the end of each year we provide you with a year-end statement of your income and your expenses related to the management of your property. Along with the year-end statement you will receive a copy of IRS Form 1042-S that reports your income to the IRS. You will then use your copy of Form 1042-S to file taxes through your tax professional.

Legal Disclaimer:

The material provided here is for informational purposes only and is not intended and should not be considered as legal advice for your particular matter. You should contact your attorney and/or tax professional to obtain advice with respect to any particular issue or problem. Applicability of the tax or legal principles discussed in this material may differ substantially in individual situations.

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