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Risks and Rewards of Buying U.S. Real Estate as a Non Resident Alien

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This article is part of our series on Buying U.S. Real Estate When Your Child Studies in America

Trend: more NRAs purchasing in college areas

The June 29, 2011 article “U.S. is Top Choice for Real Estate Investors,” in Generation America, has some interesting facts and figures from a survey was conducted by the National Association of Realtors as part of its 2011 Profile of International Home Buying Activity.

Among the survey’s findings (paraphrasing): real estate in the U.S. is the top destination for foreign buyers; the number of foreign exchange students at U.S. colleges and universities has increased the demand for real estate by foreign buyers; and some foreign families are purchasing U.S. properties in college areas so their child has a place to live.

The president of the National Association of Realtors observes that, "the U.S. has always been a desirable place to own property and make profitable investments. In recent years, we have seen more and more foreign buyers coming here to take advantage of low prices and plentiful inventory."

Why putting off estate planning is especially risky for NRAs

No one likes to think about dying someday. Some people even consider it bad luck to discuss death. But family members who have come to the United States from elsewhere may find U.S. tax law quite different than what they were used to.

It's important to set aside our emotions and consider a key fact: Federal estate and gift tax laws impose onerous restrictions on non-citizens (even if you have a "green card").

Consider:

- Outright gifts during your lifetime to a non-U.S. citizen spouse – including making him or her joint owner of certain assets – can trigger gift tax problems immediately.
- A non-resident non-citizen with no green card who bought a $1.5 million house with cash, intending to leave it to one of his children through a will or trust could trigger an estate tax of $495,000. With advice from the right expert, she could avoid that tax bill.
- Likewise, gifts at death to a non-citizen spouse may not qualify for the "unlimited marital deduction." Your unsuspecting widow or widower may be forced to pay hundreds of thousands of dollars in estate taxes shortly after your death.
- If an investor buys a $1.5 million property in U.S. and dies owning it without ever having put it in a trust, the probate cost alone could be as much as $28,000. If that investor also happens to be a non-resident alien, the estate taxes could be $495,000.

Taking steps to protect your loved ones and your assets

Even if your estate is modest, the tax effects of poor planning on NRAs can be devastating. Choosing the right lawyer takes an investment of time and money, and it is a wise investment. We can set up documentation, write any complex agreements, and take other steps to help protect you. But you need to take the first step: contacting us. Protect your loved ones and your assets by examining your options now. Call +1 650 325 8276 or get started at our website »