

FIRPTA & HARPTA

What is "FIRPTA"?

"FIRPTA" stands for the Foreign Investment in Real Property Tax Act, a federal law.

General Rule

Under the FIRPTA withholding provisions of Code Section 1445, the buyer or transferee of any U.S. real property interest is required to (i) withhold and deduct a tax equal to 10% of the amount realized by the seller or transferor upon the disposition of the property regardless of the amount of cash otherwise present in the transaction and (ii) file Forms 8288 and 8288-A to report and transmit the amount withheld to the Internal Revenue Service ("IRS"), unless one of five exemptions applies.

However, the transferee's compliance with the withholding requirement does not relieve the transferor from its FIRPTA tax liability. The withholding tax is designed only to approximate the transferor's tax on net gain and such transferor would still be required to file a federal income tax return with the IRS for the year in which the sale occurs and either (i) obtain a refund of any amount over withheld or (ii) make additional payments required in excess of the amount of tax previously withheld.

What is "HARPTA"?

"HARPTA" stands for the Hawaii Real Property Tax Act, a state law.

General Rule

Under the Hawaii withholding requirement, the buyer or transferee of any Hawaii real estate is required to (i) withhold and deduct a tax equal to 5% of the amount realized by the seller or transferor upon the disposition of the property and (ii) file Forms N-288 and N-288A to report and transmit the amount withheld to the Hawaii Department of Taxation within 20 days of escrow closing, unless one of four exemptions apply.

Internal Revenue Service Tax forms and instructions are available at: www.irs.gov

State of Hawaii Tax forms and instructions are available at: www.state.hi.us/tax/a1_forms.htm

HOMEOWNER'S EXEMPTION:

To find out who may qualify for a homeowner's exemption on their property taxes. The deadline for filing an exemption claim is on or before December 31. Go to:

<http://www.co.maui.hi.us/index.aspx?NID=578>



**Fidelity National Title
& Escrow of Hawaii, Inc.**

Kahului Office

285 Kaahumanu Ave. #103
Kahului, HI 96732
893-0556 877-3768 fax

Lahaina Office

727 Wainee St #100
Lahaina, HI 96761
661-4960 661-5878 fax

Upcountry Office

12 Kiopa'a St. #101
Pukalani, HI 96768
573-0110 573-1101 fax

Wailea Office

161 Wailea Ike Pl. #C103A
Wailea, HI 96753
891-2404 891-2498 fax