Introduction to the taxation of foreign investment in US real estate

July 2015

Contents

Introduction

Impact of taxes on real estate

Real estate is very much a tax-driven industry. As a result, changes in US tax policy have an impact on the relative attractiveness of real estate as an investment class for non-US investors. Increases to the US tax rates on capital gains, the taxation of the disposition of real estate, and US tax reporting requirements are often cited as examples of policies that create obstacles to investment. Over the years, real estate organizations in the United States have offered proposals that would provide some relief and have sought clarification of existing rules. These efforts have met with varying degrees of success. For example, in recent years there have been numerous relief provisions added and clarifications to tax rules governing the operations of Real Estate Investment Trusts ("REITs"). However, recent efforts to modify or simplify the US tax code, including provisions addressing the taxation of non-US investment in US real estate, have had little success.

In 2014, the House Ways and Means Committee under then Chairman Dave Camp issued a discussion draft of a proposed Tax Reform Act of 2014. Included in this proposal were numerous provisions to simplify and reform the US tax code. Many provisions included in this draft had been announced in previous proposals by both House and Senate taxwriters but also contained new approaches for sweeping corporate and international tax reform. As of the date of this publication, there has been no specific tax reform bill passed through Congress other than the Tax Increase Prevention Act on December 16, 2014 which extends for one year a number of temporary tax deductions, credits and incentives that expired at the end of the previous year.

During the past year, the Senate Finance Committee announced that it has formed five bipartisan working groups to examine specific issues in tax reform leading up to the development of a legislative proposal for overhaul of the US tax code. The findings and recommendations of these groups were expected to be compiled in a comprehensive report to be released in 2015. Current Ways and Means Committee Chairman Paul Ryan has also publicly indicated that the House taxwriters will have an aggressive timeline for tax reform proposals this year.

As of this writing, the Senate Finance Committee produced a bill which, in part, would liberalize the Foreign Investment in Real Property Tax Act ("FIRPTA") rules as they apply to publicly traded REITs. Among several other changes and related revenue raisers, the bill would move the FIRPTA exception for holding public REIT shares from 5% to 10%. Following this bill, Ways and Means Committee members introduced the Real Estate Investment and Jobs Act of 2015, which contained similar provisions as the Senate Finance Committee bill plus added a provision exempting non-US pension funds from FIRPTA. Clearly, there is relatively broad support for liberalizing FIRPTA.

It remains to be seen whether the tax reform proposals being discussed by the House and Senate may ultimately become legislation. While it appears that common ground is being sought on certain provisions, such as FIRPTA,this is just one portion of the comprehensive tax reform and overhaul of the entire tax code that Congress continues to debate. This debate will likely continue up through the next Presidential election in November 2016.

Notwithstanding the uncertainty of tax reform, the real estate industry continues to show a marked recovery in asset prices, transactions and capital availability. As such, it remains important that investors have an understanding of the tax rules currently in place in order to effectively develop a US real estate strategy.

The following is an introduction to some of the more significant tax issues that should be considered by non-US investors in this regard.

Taxation of income from US real estate

The US Internal Revenue Code ("Code") includes provisions for the taxation of international investors, although in some cases the tax imposed by the Code may be reduced under an applicable income tax treaty. Thus, international investors normally structure their investments to take advantage of treaty benefits whenever possible.

Taxation of US entities and individuals

The United States taxes its citizens, residents, and domestic corporations and trusts on all their income regardless of where it is earned, i.e., on a worldwide basis. Noncitizens lawfully admitted to the United States as permanent residents (green card holders) or physically present in the United States for at least 183 days during any year, or a greater number of days over a three-year testing period, are considered US residents. The income tax is imposed on net income, i.e., gross income from all sources reduced by allowable deductions, such as interest expense, taxes, and depreciation. In general, business losses in excess of income are first carried back two years and then may be carried forward 20 years to reduce income in those years, although a business may elect to waive the carryback period. Currently, US corporate income tax rates range from 15% to 35%, which apply to ordinary business income as well as to capital gains. The US income tax rates for individuals and trusts are separated into tax brackets and range from 10% to 39.6%. Under current law, for those in the higher end income bracket, capital gains are taxed at a rate of 25% (to the extent of gain attributable to depreciation recapture) and 20% (to the extent of gain in excess of prior years depreciation). Certain "qualified dividends" are taxed like capital gains.

Taxation of foreign entities and international investors

Foreign corporations and trusts, and individuals who are neither US citizens nor US residents ("international investors") are subject to US income tax only on income that is either effectively connected with a US trade or business ("effectively connected income," or "ECI"), regardless of source, or, if not ECI, is US source income.

Rental income and gains from the sale of real estate located in the United States is US source income. As a general rule, dividends and interest paid by a US corporation are US source income. In some cases, interest paid by a foreign corporation or a foreign or domestic partnership is also US source income.

US trade or business

In general, a foreign corporation or international investor that engages in considerable, continuous, or regular business activity in the United States is considered to be engaged in a trade or business within the United States. Mere ownership of unimproved real property or residential property held for personal use (for instance, an apartment or condominium) does not create a US trade or business. Further, ownership of a single piece of property rented to one tenant on a net lease basis (i.e., where the tenant is required to pay all expenses connected with the real estate) does not give rise to a US trade or business. Leasing commercial buildings on a net lease basis may or may not create a US trade or business. Where, however, a foreign corporation, international investor (or agents of either) actively manage commercial property and pay all expenses, taxes, and insurance, the activities constitute a US trade or business.

A partner of a partnership that is engaged in a US trade or business under the above guidelines will also be considered to be engaged in a US trade or business. Conversely, an investor who owns shares in a corporation that is engaged in a US trade or business will not be considered to be engaged in a US trade or business by virtue of the investor's share ownership.

Effectively connected income

The effectively connected income of a foreign corporation or international investor is taxed on a net basis at graduated rates like those applicable to US corporations, citizens, and residents.

Generally, US source income is ECI if one of two alternative tests — the business-activities test and the asset-use test — is met. The business-activities test looks to whether the activities of the US business are a material factor in generating the income. The asset-use test looks to whether the income is derived from assets used or held for use in the conduct of a US business. Both tests are applicable to income from real estate. For example, rental income earned on a building used in a US trade or business is ECI under these tests.

Under a special set of rules for gains on dispositions of real property interests ("FIRPTA"), gains from the sale of a US real property interest ("USRPI"), such as real estate, or interests in partnerships, trusts, and US corporations that own primarily US real estate, are taxed as ECI regardless of whether the taxpayer is actually engaged in a US trade or business. The same treatment may also apply to a distribution by a REIT attributable to the REIT's gains from the disposition of US real property.

Noneffectively connected income

A 30% tax is generally imposed by the Code on the gross amount of most types of income of a foreign corporation or nonresident alien individual which are not ECI but that are US source income. (The one type of US source income that is generally not covered by this tax is income from the sale of property.) The rate of this "gross basis" tax can in some cases be reduced or eliminated by a tax treaty or by a specific statutory exemption. For example, "portfolio interest," bank deposit interest, and interest on certain short-term obligations is exempt from this tax under domestic US law.

The portfolio interest exemption applies to qualified interest payments made to nonbank entities where the foreign lender owns less than 10% of the US borrower. The debt must be in registered form (i.e., transferable by one holder to another only when the transferee is identified to the issuer).

The tax on US source income that is not ECI ("non-ECI") is generally collected via withholding at source, i.e., when the income is paid to a foreign person. For this reason, the gross basis tax is sometimes referred to as "withholding tax."

Where applicable, the gross basis tax is likely to apply to US source income in the form of dividends, interest, royalties, and certain rental income that is earned by a foreign corporation or international investor who is not engaged in a US trade or business.

Net basis elections

Code §§ 871(d) and 882(d) allow a foreign corporation or international investor that derives income from real property, but that is not engaged in a US trade or business (e.g., the investment is raw land or net leased property) to elect to be taxed on a net basis at graduated rates as if the income were ECI. This "net basis election" can be beneficial, because the production of realty income generally involves substantial expense. Upon making the election, the investor is relieved of the 30% tax on gross rents and is allowed to deduct expenses associated with the real estate, such as depreciation and interest. Often these expenses exceed income and therefore no US tax is due. The Code net basis election may be revoked only with consent of the Secretary of the Treasury and applies to all US real estate held at the time of the election, as well as to property that may be acquired in the future. Further, the net basis election applies to all income from real property that is located in the United States and held for the production of income. The election does not, however, apply to certain income, including:

- Interest income on a debt obligation secured by a mortgage on US real property;
- Rental income from personal property; and
- Income from real property, such as a personal residence, that is not held for the production of income.

Branch profits tax

The earnings and profits of a foreign corporation that are derived from its ECI are generally taxed when withdrawn from the corporation's US trade or business (or "branch"). The tax, called the branch profits tax ("BPT"), is 30% of the corporation's "dividend equivalent amount," unless a treaty specifies a lower rate or prohibits the BPT. A foreign corporation may be exempt from the BPT for the taxable year in which it completely terminates all of its US trade or business. A branch will not be deemed to have completely terminated, however, if the foreign corporation has any US assets, or generates any ECI, within three years of the year of termination.

A foreign corporation that is not engaged in a US trade or business generally is not subject to the BPT, unless it makes a net basis election or is deemed to have ECI because it sells a US real property interest.

Because the BPT is imposed in addition to the net basis US corporate tax, a foreign corporation subject to BPT may pay a combined US tax on its earnings at an effective rate in excess of 50%, unless the BPT rate is reduced by an applicable treaty. Often, this increased tax liability may make a real estate investment through a foreign corporation operating via a US branch uneconomical.

Tax on excess interest

If a foreign corporation has ECI, and deducts interest expense in computing its US tax on its ECI, a tax may be imposed on the corporation as if the amount deducted had been interest income received by it from a subsidiary US corporation. The tax is imposed either at the statutory 30% rate, or at a lesser (or zero) treaty rate if a treaty is applicable. The base of this tax is the excess, if any, of the deduction over the amount of (US source) interest paid by the foreign corporation's US trade or business.

US withholding tax on payments made to the foreign investor

By US corporations — If a foreign corporation or international investor establishes a US corporation to hold the real estate investment, then dividends, and interest paid by the corporation to the investor are considered non-ECI and the payor must deduct and withhold 30% for payment to the IRS, unless this rate is reduced by treaty, or, in the case of interest, unless the interest qualifies for a statutory exemption, such as the one for portfolio interest.

By foreign corporations — If the foreign corporation or international investor creates a foreign corporation to hold the investment, dividends paid by the foreign corporation are not subject to US tax. Interest paid by the foreign corporation's US trade or business is US source income. It is taxed and subject to withholding tax like interest paid by a US corporation.

By partnerships — Interest paid by a partnership that engaged in a trade or business in the United States generally is US source income, and generally subject to the tax and withholding rules described above. A US partnership is required to withhold and pay the IRS the gross basis tax on its own income that is US source non-ECI and that is allocable to its foreign partners. Foreign and US partnerships are also required to withhold tax on a foreign partner's distributable share of the partnership's net ECI (e.g., the partnership's gains from sales of US real estate).

By REITs — A REIT is a type of US corporation. Dividends paid by REITs in general are subject to the US withholding rules applicable to dividends paid by any US corporation, with two exceptions. Distributions attributable to the REIT's disposition of US real estate are subject to withholding tax at 35%. Treaties often provide somewhat less of a reduction in the US withholding tax imposed on a REIT's dividends than they do on a regular C-corporation's dividends.

Documentation — In almost all situations where income is paid to a non-US investor, some form of prepayment documentation from the investor will be required to determine the proper rates and reporting of withholding taxes. These documentation rules can be complex and need to be considered in conjunction with any proposed investment.

US tax implications of specific investment vehicles

US corporations

An international investor may choose to own US real estate indirectly through a US corporation formed to hold the property. When a US corporation holds the real estate investment, both the taxation of the entity and the taxation of the repatriated earnings must be considered. Additionally, gain from the disposition of stock of a US corporation is also subject to US taxation if the stock of the US corporation constitutes a "US real property interest" ("USRPI").

Tax on the US corporation — US corporations are taxable on their worldwide income on a net basis with deductions for operating expenses. Unless the corporation is a REIT, it is not allowed a deduction for dividends paid to its shareholders. Currently, the top corporate US tax rate is 35%. State and local income taxes will also apply to income from sources in those jurisdictions. There is not a preferential tax rate for capital gains when earned by a US corporation. Thus, a US corporation selling appreciated real estate is taxable on its gain at 35%. If the regular tax results in little or no US tax liability, corporations may instead be subject to an alternative minimum tax of 20% computed on an alternative tax base which reflects "add-backs" of certain tax preference items, such as accelerated depreciation, and limitations on the use of net operating losses. Because the United States generally imposes tax on dividends paid by US corporations, even when paid to non-US persons, US corporations are not subject to the Branch Profits Tax ("BPT").

Because international investors may seek to use related-party financing arrangements to reduce a corporation's taxable income subject to US tax, there are limits on a US corporation's ability to deduct interest expenses paid to related foreign persons that receive treaty protection from US tax on the interest income, and interest expenses on debt guaranteed by foreign related persons. The "earnings stripping" provisions of Code § 163(j) are essentially thin capitalization rules that impose limits on the current deductibility of such interest in years in which the corporation's net interest expense exceeds 50% of the corporation's "adjusted taxable income." A safe harbor is provided if the corporation maintains a debt-to-equity ratio of 1.5 to 1 or less.

Repatriation of earnings — Several methods are available to repatriate earnings of a US corporation. First, the investor can simply receive any or all of the corporation's earnings as a dividend. While dividends are subject to a 30% withholding tax under the Code, tax treaties generally reduce that rate, when they apply. Dividends received may be subject to more favorable taxation schemes in the investor's home country than other forms of earnings repatriation.

An alternative to earnings repatriation can be the receipt of interest on loans made to the corporation by its shareholder. This method has two major advantages over repatriation by dividend distributions. First, the corporation may realize an interest deduction for the amount paid to its shareholder as opposed to the lack of deduction for amounts paid as a dividend. This deduction lowers the corporation's US taxable income and its US corporate tax liability. Second, the rate of US gross basis tax on interest received by a foreign lender is usually limited by US tax treaties, where applicable, to a rate lower than the rate of tax that can be imposed on dividends. Interest may also be exempt under domestic US law, e.g., the portfolio interest exemption.

Another alternative to earnings repatriation is the realization of proceeds from the disposition of the corporation's stock. If the corporation is a US Real Property Holding Corporation ("USRPHC"), or was a USRPHC during a five-year lookback period, the gain resulting from the sale is subject to US tax as ECI. However, if the shareholder is a foreign corporation, the gain from the sale of stock is not subject to the BPT. This method of income realization avoids the gross basis tax that would be imposed if the earnings were distributed as a dividend.

If the US corporation has never been a USRPHC, US taxation may be avoided altogether when the stock is sold and the seller has no other contacts in the United States. Earnings may also be repatriated by selling off the assets and liquidating the corporation. If a corporation that is a USRPHC disposes of all its property in a taxable transaction in which the full amount of gain is recognized, the stock in the corporation ceases immediately to be a USRPI, and gain realized by foreign shareholders on such stock need not be ECI. Foreign shareholders receiving distributions in liquidation of the US corporation are generally not subject to the gross basis tax applicable to dividend distributions.

Foreign corporations

Foreign corporations owning US real estate are generally taxed under the Code on a gross basis on their non-ECI, and on a net basis, under rules similar to those applicable to US corporations, on their ECI. Foreign corporations are also subject to BPT on their effectively connected earnings and profits that are not considered reinvested in their US trade or business. As noted earlier, when the maximum rate of BPT applies, the earnings of the foreign corporation in any particular year may be subject to a combined effective US tax rate of greater than 50%.

Repatriation of earnings — The earnings of foreign corporations can be repatriated in many of the same ways as those of US corporations. Dividends paid by the foreign corporation generally are not subject to further US taxation. However, interest paid by the foreign corporation's US trade or business is US source income, and thus potentially subject to US withholding tax. The stock of a foreign corporation can be sold free of US tax. The stock does not constitute a USRPI under FIRPTA.

Partnerships

Ownership of US real estate through a partnership involves distinct US tax consequences.

Basically, a partnership, whether domestic or foreign, general or limited, is not a taxpaying entity. Instead, it is an accounting entity or conduit through which the partners are attributed their share of partnership items of income and expense. The partners are taxed directly on their share of the partnership's income annually, regardless of whether the income is actually distributed. Each foreign partner of a partnership must, therefore, file a US income tax return. The normal tax rates applicable to US individuals and corporations apply. Because of the conduit nature of a partnership, it is often viewed as an aggregate of individuals investing in common under the aggregate theory. However, a partnership is viewed as an entity distinct from its partners for specific purposes. This entity theory is generally used when a partnership interest is sold.

US taxation of foreign partners depends on how the partnership income is categorized. If the partnership's income is ECI, it is taxed to the partners accordingly. Each item of income or deduction of a partner retains its original character which had been determined at the partnership level. For example, rental income earned by the partnership that is ECI is rental income that is taxed at the partner level as ECI.Partners that are foreign corporations may also have BPT liability. Similarly, gain from the sale of a USRPI is taxed at the partner level as ECI. US source non-ECI is also taxed at the partner level on a gross basis, and subject to withholding either at the partnership level or by the payer of the income to the partnership.

Each partner's tax liability is determined by his personal status. For example, similar items of income may be taxed differently in the hands of different partners in the same partnership. Thus, a corporate partner would be treated differently from an individual partner. Different treaties could apply, depending on the residence of the partners. One partner might have losses from another investment, which could be used to shelter his share of the partnership's net positive ECI, while other partners may not have the benefit of such losses.

Since the partners, and not the partnership, are taxed currently on their share of the partnership income, there is generally no additional US tax on distributions of profits from the partnership as there would be in the case of a corporation. Thus, repatriation strategies are of less concern for investments through partnerships. However, there are withholding provisions designed to ensure collection of the tax owed by foreign partners on their share of the partnership's trade or business income that should be considered. Partnerships are required to withhold on a foreign partner's share of net ECI. This is similar to the partnership making estimated tax payments on behalf of its foreign partners. These payments are applied to the partner's tax liability for the period. Any over-withholding of the foreign partner's regular tax liability has to be recovered by the partner through the filing of his own tax return.

When an international investor sells a partnership interest, the gain from the sale is treated as ECI subject to US tax to the extent it is attributable to the partnership's ownership of US real property. If a partnership sells all of its assets and liquidates, the partners are taxable on their pro rata share of the partnership's gain at their applicable tax rates. No second level of tax is imposed on the liquidating distribution, provided that the amount of cash and fair market value of any property distributed do not exceed the distributee partner's outside basis in his partnership interest.

Real Estate Investment Trusts

The tax regime for REITs was created for the specific purpose of encouraging widespread ownership of real estate by small investors. Basically, a REIT is an entity, otherwise taxable as a US corporation, that meets certain technical requirements and that elects REIT status. The key difference between a conventional US corporation and a REIT is that a REIT is allowed a tax deduction for dividends paid to its shareholders. To qualify for this special treatment, a REIT must distribute at least 90% of its net income exclusive of capital gains to its shareholders. In practice, most REITs typically distribute 100% of their income in order to avoid a corporate level tax on earnings that are not otherwise required to be distributed by the REIT.

The REIT requirements fall into three categories: ownership, assets, and income. First, there must be 100 or more owners, and no five or fewer individuals may own directly or indirectly more than 50% of the total value of the REIT stock. Second, at least 75% of the total value of the REIT's assets must consist of cash, real estate, loans secured by real estate, or US government securities. Third, at least 95% of the REIT's gross income must be composed of interest, dividends, and rents from real property, plus six other specified sources of income. In addition, 75% of the REIT's gross income must consist of rents from real property, interest on loans secured by real estate, and seven other sources of income.

REITs must adopt a calendar year as their tax year. Existing US corporations that wish to elect REIT status must distribute all earnings and profits for tax years beginning after February 28, 1986. If a REIT meets the above requirements, it may avoid tax at the corporate level by distributing all net income currently to shareholders, thereby eliminating the normal double taxation of corporate income. REITs are not subject to the BPT and REITs are permitted to have 100%-owned subsidiaries.

The taxation of a distribution from a REIT depends on whether the distribution is attributable to ordinary operating profits or to gain from sales or exchanges of US real property interests. To the extent the REIT makes a distribution to an international investor or foreign corporation attributable to gain from sales or exchanges of US real property interests by the REIT, the distribution is taxed as ECI.

In general, FIRPTA withholding rules apply to require the REIT to withhold 35% of the amount distributed to foreign shareholders that is designated as a capital gain dividend by the REIT. Corporate investors will also be subject to BPT on such distributions. To the extent a distribution is not designated as a capital gain dividend, the distribution generally is treated as a regular dividend of non-ECI subject to the 30% statutory withholding tax rate for dividends or a lower treaty rate, if applicable.

Generally, international investors or foreign entities that dispose of shares in a REIT are likely to be subject to US tax on their gain if the REIT is foreign controlled, i.e., if 50% or more of the REIT stock is owned by non-US persons (and the REIT stock is otherwise a USRPI). Gain subject to tax is treated as ECI. Thus, the investor must file a US tax return and report the gain.

However, if the shares of a foreign-controlled REIT are considered to be "publicly traded" and the investor owns or owned a 5% or less interest, no tax is imposed. A foreign investor disposing of shares in a domestically controlled REIT (i.e., if 50% or more of the REIT stock is owned by US persons) generally is not subject to US tax on the gain.

Treaty protection from taxation

The United States has income tax treaties with many nations that are designed to alleviate double taxation of income from transactions that cross national boundaries and to encourage foreign investment. Accordingly, treaties typically reduce tax rates on certain types of portfolio investment income such as dividends, interest, and royalties. In addition, they limit taxation of other types of business profits of a resident of one country that are generated in the other country. Treaties also generally provide that investors resident in one country carrying on business in the other country are entitled to nondiscriminatory tax treatment in the other country.

The benefits of a treaty are, by its terms, extended only to residents of the contracting states. Over the years, the US government and the governments of other countries have become increasingly concerned about preventing third-country residents' use of US treaties, or "treaty shopping." As a result, most US treaties now contain a limitation on benefits ("LOB") article, which expressly limits the benefits of the treaty to individual residents of a treaty country, companies primarily owned by individual residents of the treaty partner country, and certain other companies deemed not to be "treaty shopping." Any treaty analysis must confirm that any entities involved qualify under the LOB article or any other provisions limiting the application of a treaty. In addition, internal US law anti-abuse rules, such as Code § 894, dealing with income received by hybrid entities, and Code § 7701 and related regulations, covering back-to-back financing arrangements, must also be addressed. Appropriate documentation on the residence of the payer and entitlement to treaty benefits is required to protect withholding agents that withhold tax at a rate less than 30% (e.g., Forms W-8 BEN-E, W-8 ECI, W-8 IMY).

Dividend income

Tax treaties generally provide for a reduced rate of gross basis tax on dividends paid by US corporations to a resident of the other treaty country. Treaty tax rates on dividend income from US corporations vary from 0% to 15% or higher, in contrast to the 30% statutory withholding rate provided under the Code. The reduced dividend withholding tax rates are generally restricted in the case of dividends paid by REITs. Under some treaties, dividends from REITs to treaty-resident shareholders generally are not eligible for tax rates below 15%, and to be eligible for any treaty benefits, one of three requirements must be met:

- The beneficial owner is an individual or pension fund that owns less than 10% of the REIT;
- The stock of the REIT is publicly traded and the owner holds an interest of less than 5%; and
- The beneficial owner is a person (individual, estate, trust, or company) holding an interest of less than 10% and the REIT is diversified.

Branch profits tax

The Branch Profits Tax ("BPT") was enacted to provide parity between a foreign corporation that operates in the United States through a US subsidiary corporation, on the one hand, and one that operates through a US branch, on the other. While the net income from the business in each case is subject to standard US corporate tax rates, the foreign corporate parent of the US corporation is subject to an additional 30% tax (which can be reduced by treaty) when it receives dividend distributions. The BPT imposes a similar tax to the extent the US branch's net equity does not increase at the same pace as it generates earnings and profits from ECI. Thus, treaties reduce the rate of BPT in tandem with their reductions in gross-basis tax rate on dividends from wholly owned subsidiaries.

Interest income

Under many US treaties, the US gross basis tax on US source interest is reduced or eliminated, except that the tax is often imposed at a 15% rate if the interest is contingent on profits, etc., of the payer or a related person.

Business profits

Under most of its treaties, the United States may not tax the business profits of a treaty country resident generated in the United States, unless such business is carried on through a permanent establishment ("PE") located in the United States. If a PE exists, the business profits may be taxed only to the extent they are attributable to the US PE.

Income from real property

Most tax treaties provide that income from real property, including income from the direct use of the real property by the owner and the rental income for use of the property, is taxable in the country in which the property is located. For rental income generated from US real property, a foreign recipient may be subject to a 30% US withholding tax on the gross amount of the rental income, unless a net basis election has been made to tax net rental income at a 35% rate.

Capital gains

Under domestic US law and most US treaties, residents of the treaty country are exempt from U S. tax on gain from the sale of assets, unless such assets form part of the resident's US PE, or the assets are US real property or are otherwise a USRPI. Gains from the sale of stock or securities are generally taxable exclusively in the country of the seller's residence, except where such stock or securities are USRPIs.

Third-country use of treaties/limitation on benefits

In an effort to eliminate treaty shopping, the United States has negotiated the insertion of a strong LOB provision, similar to article 22 of the US Model Treaty, into many of its treaties. Under article 22 of the US Model, the benefits of the treaty (i.e., reduced withholding tax rates, nondiscrimination, etc.) are granted to a company resident in a treaty country only if certain additional requirements are met—for example, if the stock of the company is regularly and primarily traded on a recognized stock exchange, or at least 50% of the corporation's stock is owned by residents of the treaty country and less than 50% of the income of the company is used to make deductible payments to nontreaty-country-resident persons. A treaty country resident may also be able to satisfy other LOB tests (e.g., the active trade or business test) under an applicable treaty.

An additional limitation on treaty benefits is imposed by Code § 894(c), and treaty provisions that restrict treaty benefits for payments to partnerships or other fiscally transparent entities. These provisions have the effect of denying treaty benefits on certain payments made to "hybrid entities," or entities that are seen as flow-through entities for US tax purposes (e.g., LLCs, partnerships, disregarded entities), but whose income is not treated for tax purposes by the other treaty country as in the income of a resident.

Dispositions of US real estate investments

US real property interests

In general, FIRPTA treats the gain or loss of an international investor or a foreign entity from the disposition of a USRPI as income or loss effectively connected with a US trade or business. Consequently, such gain or loss will be included with the international investor's other effectively connected income (if any) and subject to US income tax on a net basis.

A USRPI includes an interest in real property located in the United States and the Virgin Islands. Real property includes land, real property improvements (e.g., buildings), leasehold interests, and un-severed natural products of land (e.g., growing crops, timber, mines, wells, and other natural deposits). It also includes certain personal property "associated" with the use of real property, such as moveable walls, furnishings, mining equipment, farm tractors, drilling rigs, and other personal property associated with the use of real property.

USRPIs also include shares and other equity interests in a US corporation (other than solely as a creditor) that was considered to be a USRPHC at any time during the five-year period ending on the disposition of the interest. A corporation is considered to be a USRPHC if its assets are primarily USRPI (but see the more detailed discussion below). Therefore, it is not possible to avoid US tax on the disposition of real property by holding the property indirectly through a US corporation and selling its stock. As an exception to this rule, the term USRPI does not include an interest in a publicly traded domestic corporation unless the investor owned more than 5% of the fair market value of such stock at any time during the five-year period ending on the date of the investor's disposition of such stock. Also, an interest in a domestically controlled REIT does not constitute USRPI.

An interest in real estate that is solely a creditor's interest is not considered to be USRPI, and thus is not subject to FIRPTA. Such interest may include a right of foreclosure on real property under a mortgage, a financing statement, or other instrument securing a debt. If the interest in the real estate goes beyond that of a creditor, however, FIRPTA may come into play, and the exception is defined in narrow terms. In addition, any right to share in the appreciation in value of real property or in the gross or net proceeds or profits generated by real property is a USRPI. For example, a loan with an "equity kicker" is treated as a USRPI.

Definition of a USRPHC

A corporation is considered to be a USRPHC if the fair market value of its USRPI is 50% or more of the sum of the fair market values of its USRPIs, foreign real property interests, and US or foreign trade or business assets (including financial assets, depreciable property, inventories, and intangibles). Determination of USRPHC status can sometimes be difficult because of uncertainties over the characterization of corporate assets for these purposes.

A foreign entity or international investor is not subject to US tax on the disposition of its interest in a corporation that was not a USRPHC on any of the specified dates during the relevant testing period (i.e., the shorter of the international investor's holding period or the five-year period ending on the date of hte disposition of the stock of the corporation). The stock of any domestic corporation is presumed to be a USRPI unless the taxpayer establishes that such corporation was at no time a USRPHC during the previous five years. An optional book value test allows a corporation to presume that the fair market value of its USRPI is less than 50% of the aggregate fair market value of its assets if the book value of the corporation's aggregate USRPI is 25% or less than the total book value of the corporation's assets. Because an interest in any domestic corporation is presumed to be a USRPI, particular pressure is placed on contemporary reporting and documentation rules in almost all transactions involving US corporations.

In determining whether a corporation is a USRPHC, if the first corporation owns less than 50% of the shares of a second corporation, these shares are treated as a USRPI unless the first corporation determines that its interest in the second corporation is not a USRPI by either obtaining a statement from the second corporation, or making an independent determination. If a corporation owns 50% or more of the shares of a second corporation, the shares of the subsidiary are ignored and a look-through rule applies, whereby the upper tier corporation is deemed to own a proportionate share of all the subsidiary's assets for purposes of USRPHC testing. A similar look-through rule applies with respect to a corporation's ownership of partnerships, estates, and trusts, except that no minimum ownership requirements apply. Accordingly, a corporation's pro rata share in the assets of a partnership, estate, or trust of which it is a partner, owner, or beneficiary is taken into account in the determination of the corporation's USRPHC status.

An interest in a foreign corporation can only be treated as a USRPI for purposes of determining whether or not an upper-tier domestic corporation is a USRPHC. Gain or loss from the disposition of a foreign corporation can never constitute ECI by reason of the FIRPTA rules.

As discussed above, if a domestic corporation is a USRPHC at any time during the relevant testing period, its stock is considered to be a USRPI (even if it is not currently a USRPHC). This "taint" of USRPI status can be removed if the corporation disposes of all of its USRPIs in taxable transactions prior to the disposition of its stock. In this situation, US tax on all appreciation in USRPIs will have been paid and there is no longer a need to capture that appreciation in the stock value.

Why is USRPI status important?

For the international investor owning shares in a US company, it is important to determine whether those shares are considered USRPI as of the date of disposition of such shares in order to determine whether or not the disposition of his shares will result in US tax, whether or not the disposition will trigger US withholding tax, what documentation and reporting will be required at the time of the disposition, and whether the international investor will be required to file a US tax return.

If the US corporation is not a USRPHC during the relevant testing period, the sale of its shares by an international investor may not be subject to US tax. Moreover, if the corporation provides the buyer and the IRS with the required statements establishing that it was not a USRPHC during the testing period, the foreign seller is not subject to withholding and is not required to file a US tax return.

US tax consequences of investing in USRPIs through foreign corporations

The gain from the sale of an interest in a foreign corporation is not subject to tax under FIRPTA. Thus, a foreign person may own US real property indirectly through a foreign corporation and ultimately sell the shares of that foreign corporation and avoid US tax on the gain from the sale. Of course, if the foreign corporation holding the USRPI disposes of the USRPI directly, the gain from the sale will be subject to tax under FIRPTA. At the same time, the transfer of a USRPI by a foreign corporation to another entity in a transfer or reorganization that would otherwise be nontaxable under the Code is generally taxable under FIRPTA unless the interest it receives back in exchange for the USRPI is also USRPI and strict reporting requirements are met.

Also, a distribution of a USRPI held by a foreign company to its shareholders will be subject to US tax to the extent of the appreciation in value of the USRPI. Unless the distributee takes the same basis in the USRPI as the distributing foreign company, the distributee will be subject to US tax on any subsequent disposition of the USRPI, and certain strict reporting requirements must be met. Consequently, any person purchasing the stock of a foreign corporation that owns USRPI should take into account the difference between the foreign company's tax basis in the USRPI and its value, as this difference may result in future tax, either upon liquidation of the company or the disposition of the USRPI from the foreign company. Again, contemporaneous reporting and documentation will be crucial.

Election to be treated as a domestic corporation

A foreign corporation is entitled to make an election to be treated as a US corporation for FIRPTA purposes while remaining a foreign corporation for all other purposes of the Code. The election to be treated as a domestic corporation may be useful in certain planning situations to mitigate the impact of FIRPTA with respect to dispositions of USRPIs made by the foreign corporation.

Use of REITs

Domestically controlled (less than 50% foreign ownership by value) REITs are not considered to be USRPIs under FIRPTA. Consequently, foreign investors who holds interests in domestically controlled REITs will not be subject to tax under FIRPTA upon the sale of their shares. Nevertheless, dividend distributions made by a REIT to foreign investors and attributable to the REIT's gains from sales or exchanges of USRPI are subject to US tax under FIRPTA.

FIRPTA withholding

Generally, any disposition of a USRPI by an international investor requires the purchaser to withhold 10% of the gross sale price (or 10% of the fair market value of the property exchanged). Certain exemptions may apply or the IRS may agree to a reduced withholding amount. However, in general, the 10% withholding is required regardless of the actual amount of tax due or the amount of cash received.

There are special withholding rules that apply to distributions and dispositions by corporations, partnerships, trusts, and estates.

Amounts withheld by the purchaser must be promptly reported and paid to the IRS. The withholding tax is reported on Forms 8288 and 8288-A; the return is filed and the tax paid within 20 days after the transfer. If the purchaser fails to withhold the correct tax amount, the purchaser has liability for the entire amount of the tax, plus interest and penalties. Accordingly, it is very important that the purchaser of US real property determine whether there is a withholding obligation.

Withholding exceptions

There are exceptions to the above withholding requirements, including:

- The transferor may provide the transferee with an affidavit affirming its status as nonforeign.
- The transferor may provide the transferee and the IRS with an affidavit stating that the stock of the corporation which is being transferred is not a USRPI.
- The transferor may provide the transferee an affidavit stating that the transfer is pursuant to a nonrecognition event.
- A nonpublicly traded domestic corporation may furnish an affidavit to the transferee (or alternatively to the transferor, who then gives it to the transferee) that its stock is not a USRPI either because it has not been a USRPHC during the relevant period or it has cleansed its taint.
- Shares of a class of stock that is publicly traded.
- If a USRPI is acquired by an individual transferee to be used for residential purposes, there is no withholding requirement as long as the amount realized does not exceed USD 300,000.
- The withholding amount is reduced or eliminated as evidenced by a withholding certificate obtained from the IRS,
  - Either the transferor or transferee may request a withholding certificate.
  - Withholding certificates are generally available when the required withholding exceeds transferor's maximum tax liability, the IRS determines that reduced withholding would not jeopardize tax collection, the transferor's gain is exempt from US tax and has no withholding liability, or the transferor or transferee has entered into agreement with the IRS to pay the tax or has provided adequate security.

Sovereign Wealth Funds

Sovereign Wealth Funds ("SWFs") are wholly owned government funds that invest a nation's surplus wealth. The US Treasury Department has defined a SWF as "a government investment vehicle which is funded by foreign exchange assets, and which manages those assets separately from the official reserves of the monetary authorities." SWFs may make investments in their home country or abroad.

Section 892 exemption

Under Code § 892, income earned by a foreign government through certain investments in the United States is exempt from US income tax. Three specific conditions must be satisfied to qualify for the exemption:

- The income must be derived by a "foreign government;"
- The income must be derived from only certain types of investments; and
- The income must not be derived from "commercial activities."

Temporary regulations issued under § 892 provide additional details for application of the statutory language.

Foreign government

A foreign government for purposes of the § 892 exemption only includes the "integral parts" or "controlled entities" of a foreign sovereign.

Integral part

An integral part of a foreign sovereign is any person, body of persons, organization, agency, bureau, fund, instrumentality, or other body, however designated, that constitutes a governing authority of a foreign country. All of the net earnings of the governing authority must be credited to the governing authority's own account or to other accounts of the foreign sovereign with none of the income inuring to the benefit of a private person. Generally, the integral part must exercise functions traditionally undertaken by governments. An individual who is a sovereign, official, or administrator acting in a private or personal capacity will not be considered an integral part of a foreign sovereign.

Controlled entity

A controlled entity of a foreign sovereign is an entity that is separate from a foreign sovereign or otherwise constitutes a separate juridical entity if:

- It is wholly owned and controlled by a foreign sovereign either directly or indirectly through one or more controlled entities;
- It is organized under the laws of the foreign sovereign that owns the entity;
- Its net earnings are credited to its own account or other accounts of the foreign sovereign, with no portion of its income inuring to the benefit of any private person; and
- Its assets vest in the foreign sovereign on dissolution.

A controlled entity does not include partnerships or any other entity owned and controlled by more than one foreign sovereign.

Income inuring to private persons

If earnings of an otherwise integral part or controlled entity of a foreign sovereign inure to the benefit of private persons, then such integral part or controlled entity will not be considered part of a foreign government for purposes of § 892. Accordingly, the income earned will not be granted an exemption from US tax.

Income is considered to inure to the benefit of a private person in two cases. First, if the income benefits private persons through such persons' use of the governmental entity as a conduit for their own personal investment, the income is considered to inure to the benefit of private persons. Second, the income of a governmental entity will be considered to inure to the benefit of private persons if the private persons' use, influence, or control that is implicitly or explicitly approved of by the foreign sovereign to divert the income of the governmental entity from such entity's intended use of such income. However, income is presumed not to inure to the benefit of private persons when such persons are the intended beneficiaries of a governmental program carried on by the foreign sovereign when the activities of such program constitute governmental functions (for example, a generally available social welfare system).

Exempted income

The § 892 exemption only applies to income earned from the following sources:

- Income from the foreign government's investments in the United States consisting of stocks, bonds, or "other securities;"
- Income from the foreign government's investments in the United States consisting of financial instruments held in the execution of the government's financial or monetary policy; and
- Interest earned by the foreign government from its deposits of funds in US banks.

Income from investments includes the gain from their disposition. Further, "other securities" includes any note or other evidence of indebtedness but does not include partnership or trust interests.

The exemption afforded to foreign governments is also circumscribed by the FIRPTA rules described above. The interaction between these two sets of tax rules is complex and must be examined case by case.

Commercial activities exclusion

If income is earned from commercial activities or from a controlled commercial entity, whether or not the income is derived from one of the sources described above, then § 892 will not apply to such income. In the case where a controlled entity has a commercial activity, the whole of the income earned by the controlled entity is not exempt under§ 892. In contrast, only the portion of the income related to the commerical activities earned by a integral part will not be exempt under § 892 This distinction can be of paramount importance for foreign governments interested in structuring US investments.

Commercial activities are activities that are ordinarily conducted by the taxpayer or any other persons with a view to the current or future production of income or gain. This definition applies whether the activities are conducted within or without the United States. Investments in income-producing real estate are considered commercial activities; however, the holding of net leases on real property that does not produce income is specifically excepted from the definition of commercial activities.

A controlled commercial entity is any entity engaged in commercial activities, even to a very limited extent, if the foreign government holds (directly or indirectly) a 50% or more interest in the entity or if the foreign government holds (directly or indirectly) other types of interests that provide it with effective control of such entity. Again, this definition applies whether the activities are performed within or without the United States.

On November 3, 2011, the IRS issued proposed regulations providing additional guidance for purposes of determining when a foreign government's US-sourced investment income is exempt from US taxation. The proposed regulations include the following key provisions and highlights:

- Clarifies that gain on the sale of real estate (including a § 897(h)(1) distribution) is not itself a commercial activity. Further, the proposed regulations indicate that real estate dispositions are still taxable and not exempt, so the proposed regulations do not modify guidance provided in Notice 2007-55 with respect to sovereigns.
- Clarifies that an activity can be considered commercial even if not a trade or business for § 162 or § 864(b) purposes.
- Provides that certain investments in financial instruments will not be considered commercial activity.
- Provides that commercial activity status is tested annually.
- Provides reasonable cause relief in certain cases for those controlled government entities that inadvertently have an investment in a commercial activity, cure it appropriately, and have procedures in place to monitor.
- Provides relief in that if a controlled government entity is a limited partner (with no management or control rights) in a partnership and the partnership itself is engaged in certain commercial activities then the commercial activity won't be attributed up to the controlled government entity (however, the income is still fully taxable).

The proposed regulations specifically indicate that taxpayers may rely on the proposed regulations until final regulations are published.

REIT issues and Notice 2007-55

A REIT is a special purpose entity for US federal income purposes. As discussed above, if certain conditions with respect to ownership, composition of assets and income, and distributions are satisfied, REITs are allowed to deduct dividends paid to their shareholders so that their earnings are not subject to corporate-level tax. As suggested by their name, but also largely dictated by the various conditions imposed on them, REITs are generally USRPHC for US federal income tax purposes. Because of this, the § 892 exemption rules overlap with US tax legislation specific to gains from the sale of USRPI.

REITs can be very tax favorable investment entities for foreign governments that qualify under § 892. Dividends and gains on disposition of REIT shares can be exempt from US tax while the REIT itself is also not subject to US tax.

Historically, taxpayers have taken the position that capital gain distributions from REITs are also exempt under § 892. However, in Notice 2007-55, the IRS stated its position that § 892 is not applicable to capital gain distributions and that it will challenge any such assertions. The IRS has also indicated that it intends to issue new regulations to support this view.

Foreign Account Tax Compliance Act

What is FATCA?

The Foreign Account Tax Compliance Act ("FATCA") addresses perceived abuses by US taxpayers with respect to assets held offshore. Enacted in 2010, FATCA compels non-US entities to report US account holders to the IRS with a new, US-sourced withholding tax levied against non-cooperative, non-US entities. Specifically, the FATCA regime imposes a new 30% US withholding tax on withholdable payments made to certain non-compliant non-financial foreign entitiies ("NFFEs") or foreign financial institutions ("FFIs"). The definition of an FFI is quite broad, and can include virtually all non-US investment vehicles, including foreign feeder funds, foreign stand-alone funds, and blocker corporations as well as foreign alternative investment vehicles, regardless of whether the interests in such vehicles are being offered or traded publicly. US-based investment vehicles, while not technically FFIs themselves, are considered withholding agents and have an obligation to withhold on certain payments made to foreign investors, if those investors are considered to be non-compliant FFIs or NFFEs. In order to avoid FATCA withholding, a foreign investor must comply with FATCA by either registering with the IRS as an FFI or by providing the withholding agent with a tax certification (e.g. Form W-8) about its status including in certain cases (1) certification that it does not have any substantial or controlling US owners or (2) information on the identities of its substantial or controlling US owners.

The definition of a withholdable payment is broad and includes US-source payments such as interest (including original issue discount), dividends and certain other fixed or determinable annual or periodic ("FDAP") income. Additionally, a withholdable payment also includes the gross proceeds from the sale or disposition of any property that could produce US source interest or dividends. Effectively connected income ("ECI") and certain non-financial payments are specifically exempt from FATCA withholding.

Withholdable payments made to a FFI will not be subject to withholding if the FFI provides documentation that it has entered into formalized agreement (an "FFI Agreement") with the IRS or adheres with the terms of the intergovernmental agreement ("IGA") entered into by its local juridiction. In either case, the FFI is required to identify and report certain US account holders and register with the IRS. Withholdable payments to a NFFE will not be subject to withholding if the NFFE provides a tax certification about its status and if necessary it provides information about its substantial or controlling US owners.

Final regulations released in January 2013 by the US Treasury provided detailed requirements that FFIs, NFFEs, and US withholding agents must comply with to avoid the withholding liability under FATCA. The final regulations also provide details on exceptions, exclusions, and a broader framework of international cooperation aimed at easing the costs that foreign entities incur to comply with FATCA.

Following the enactment of FATCA, the US Treasury began discussions with other governments and has entered into IGAs with many countries in an effort to boost cooperation in countering offshore tax evasion and improve compliance with the implementation of information reporting and withholding tax provisions under FATCA. There are two types of IGAs: Model 1 IGA FFIs and Model 2 FFIs. Under Model 1 IGAs, the FFIs in the IGA jurisdiction must report US accounts to the local jurisdiction that exchanges this information with the US government; Under Model 2 IGAs, the FFIs in the IGA jurisdiction must report directly to the IRS, similar to FFIs in non-IGA jurisdictions that have signed FFI Agreements.

Industry impact

The new FATCA rules will impose additional challenges for real estate funds because of the many complicated and diverse investment structures that have become common in recent years. With respect to US real estate funds, non-US investors are less likely to own real estate directly as they may be averse to US tax compliance requirements and seek to reduce the impact of FIRPTA on the ultimate disposition of the real estate. Such investors have sought the use of alternative investment structures, such as investment in US real estate through US and non-US corporations, investment in US real estate through a US REIT, and loans by non-US investors, to shield them from direct exposure to ECI. The use of these ownership structures to avoid ECI treatment may now expose these investors to the reporting and withholding tax requirements under FATCA whether or not such income may be exempt from general gross basis US tax and withholding.

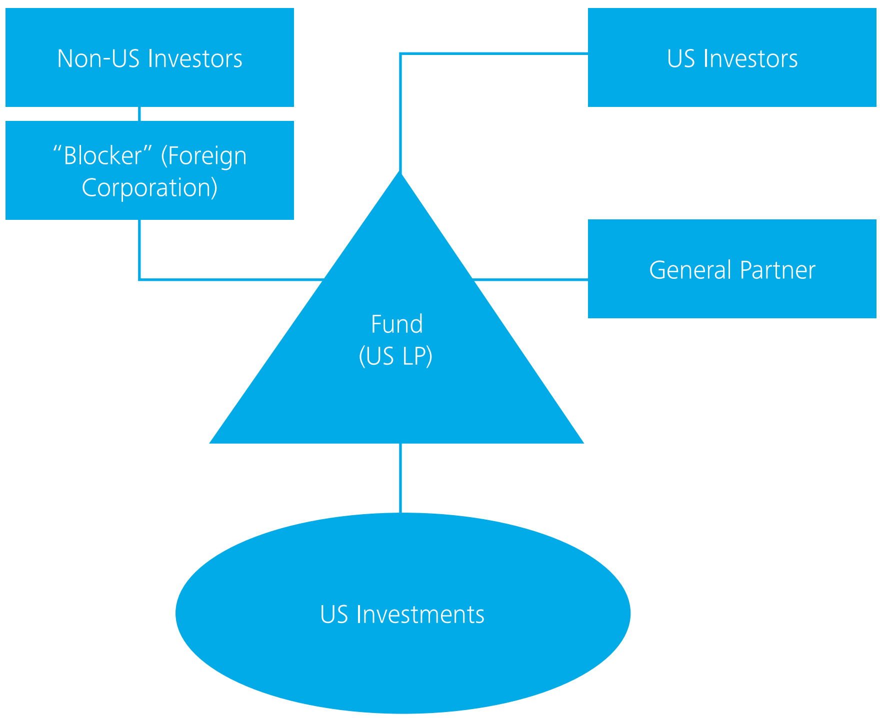
Notwithstanding the phased-in effective dates for specific provisions, FATCA generally became effective in July 2014. Persons investing in US real estate funds and those who manage US real estate funds will need to understand when such investments give rise to withholdable payments and be able to analyze the application of the FATCA provisions and exemptions to the various structures used and the types of investors who are contributing their capital. Within US real estate fund organizations, the scope of FATCA can impact investor relations, operations, legal, compliance, and tax. In addition to the economic issue, it is important that the fund or fund sponsor is not only properly educating its investors with respect to these new rules, but also is perceived as doing so.

Important FATCA dates

As of the date of this printing, the IRS has provided the following timetable of certain key dates for the phase-in of the new FATCA rules by US real estate funds.

Date	Requirement
July 1, 2014	Begin new account onboarding for individuals
January 1, 2015	Begin new account onboarding for entities and GIIN verification of FFIs
March 15, 2015	Report on withholdable income payments made to certain recipients during 2014 – Form 1042-S
March 31, 2015	Begin US account/owner income reporting for 2014 calendar year on substantial or controlling US owners of passive NFFE or US specified owner of an owner documented FFI– Form 8966
June 30, 2016	Complete due diligence review of pre-existing entity accounts
January 1, 2017	Begin withholding on gross proceeds
March 15, 2018	Begin reporting on gross proceeds made to certain recipients if subject to FATCA withholding– Form 1042-S

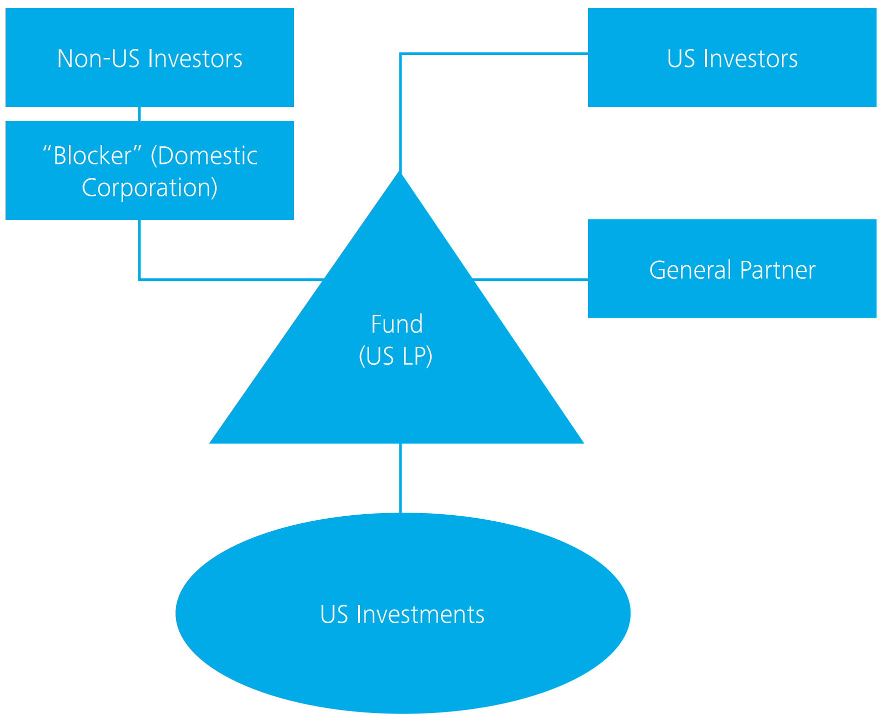
Appendix A: Foreign corporate blocker structure



Key characteristics of structure

- Income flows from the US investments through the fund to investors.
- Foreign corporation serves as a blocker to the non-US investors preventing them from being engaged in a US trade or business, if the fund is so engaged.
- No withholding tax on distributions from blocker to non-US investors.
- Blocker may be subject to BPT, unless reduced by treaty.

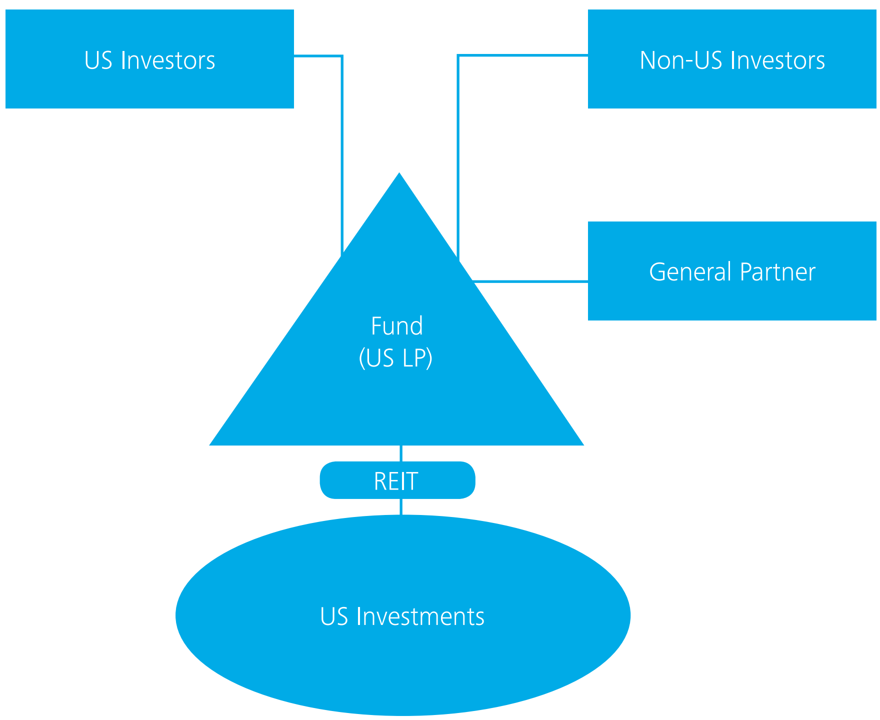
Appendix B: Leveraged corporate blocker structure



Key characteristics of structure

- Income flows from the US investments through the fund to investors.
- US corporation serves as a blocker to the non-US investors preventing them from being engaged in a US trade or business, if the fund is so so engaged.
- US corporation is subject to US and state income tax on its net income.
- Blocker may be leveraged to reduce US taxable income.
- Withholding taxes on distributions to non-US investors will apply at various rates depending on treaty application and other particular facts.

Appendix C: REIT structure



Key characteristics of structure

- Income flows from the US investments through the REIT to the fund.
- The REIT serves as a blocker to the non-US investors preventing them from being engaged in a US trade or business, if the fund is so engaged.
- The REIT will not be taxed on its income so long as the REIT distributes its income to its shareholders.
- Withholding tax on distributions to non-US investors applies to operating dividends and distributions of capital gains.
- Non-US investors are subject to US tax on capital gains distributed by REIT.

Contacts

Deloitte's Global Real Estate practice serves many of the industry's most prestigious real estate owners, investment advisors, developers, property management and leasing companies, REITs, private equity funds, mortgage brokers and bankers, pension funds, service companies, and insurance companies. Our network includes approximately 3,000 real estate-focused professionals in the member firms of Deloitte Touche Tomatsu Limited around the world. In the United States, we have tax professionals who specialize in providing cross border real estate tax services. Selected international and real estate practitioners are set forth below.

For more information or questions, please contact:

Atlanta

Jim Brock
Real Estate Tax Partner
Deloitte Tax LLP
+1 404 220 1375
jbrock@deloitte.com

Lynn Kawaminami
Real Estate Tax Partner
Deloitte Tax LLP
+1 404 220 1312
lkawaminami@deloitte.com

Patrick Kelley
International Tax Partner
Deloitte Tax LLP
+1 404 631 3303
pmkelley@deloitte.com

Jeff Rubin
International Tax Partner
Deloitte Tax LLP
+1 404 942 6600
pmkelley@deloitte.com

Beijing, PRC

Andrew Zhu
Tax Partner – M&A
Deloitte Touche Tohmatsu
+86 10 85207508
andzhu@deloitte.com.cn

Boston

Tim Carpenter
Real Estate Tax Partner
Deloitte Tax LLP
+1 617 437 3282
ticarpenter@deloitte.com

Jeff Perrone
Real Estate Tax Partner
Deloitte Tax LLP
+1 617 437 2712
jperrone@deloitte.com

Columbus

Mark Johnson
Real Estate Tax Partner
Deloitte Tax LLP
+1 614 229 4835
mjohnson@deloitte.com

Chicago

Joe Wisniewski
Real Estate Tax Partner
Deloitte Tax LLP
+1 312 486 9055
jwisniewski@deloitte.com

Craig Boyer
Real Estate Tax Principal
Deloitte Tax LLP
+1 312 486 9812
crboyer@deloitte.com

Kelly Spowage
International Tax Director
Deloitte Tax LLP
+1 312 486 1734
kspowage@deloitte.com

Dallas

Ron Reeves
Real Estate Tax Partner
Deloitte Tax LLP
+1 214 840 7571
rreeves@deloitte.com

Hong Kong

Richard Ho
Partner—Real Estate Industry Leader
Deloitte Touche Tohmatsu
+ 852 2852 1071
richo@deloitte.com.hk

Tony Kwong
M&A Transaction Services Partner
Deloitte & Touche Financial Advisory Services
+ 852 2852 1003
tonkwong@deloitte.com.hk

Lili Zheng
Real Estate Tax Partner
Deloitte Touche Tohmatsu
+ 852 2852 6769
lzheng@deloitte.com.hk

Houston

David Sanders
Real Estate Tax Partner
Deloitte Tax LLP
+1 713 982 4860
dasanders@deloitte.com

London

David E. Brown
Real Estate Tax Partner
Deloitte LLP
+44 20 7007 2954
debrown@deloitte.co.uk

Los Angeles

Todd LaBelle
Real Estate Tax Partner
Deloitte Tax LLP
+1 213 593 4680
tlabelle@deloitte.com

Jimmy Man
International Tax Partner
Deloitte Tax LLP
+1 213 553 1476
jman@deloitte.com

Luis Silva
International Tax Director
Deloitte Tax LLP
+1 602 234 5144
luissilva@deloitte.com

New York

David Friedline
Real Estate Tax Partner
Deloitte Tax LLP
+1.212 492 3983
dfriedline@deloitte.com

June Chen
Real Estate Tax Partner
Deloitte Tax LLP
+1 516 918 7263
juchen@deloitte.com

Dave Warco
International Tax Partner
Deloitte Tax LLP
+1 212 436 6281
dwarco@deloitte.com

Sandy Lee
M&A Tax Director
Deloitte Tax LLP
+1 212 436 3964
salee@deloitte.com

San Francisco

Jessica Duran
Real Estate Tax Partner
Deloitte Tax LLP
+1 415 783 5968
jeduran@deloitte.com

Larry Varellas
National Tax Managing Partner - Real Estate
Deloitte Tax LLP
+1 415 783 6637
lvarellas@deloitte.com

San Jose

Vivien Wang
International Tax Partner
Deloitte Tax LLP
+1 408 704 4537
vivienwang@deloitte.com

Washington DC/ McLean Virginia

Charlie Temkin
Real Estate Tax Director
Deloitte Tax LLP
+1 202 879 4970
ctemkin@deloitte.com

Dean Halfacre
Real Estate Tax Partner
Deloitte Tax LLP
+1 571 766 7470
dhalfacre@deloitte.com

About Deloitte