



HOW TO PROTECT YOUR REAL ESTATE INVESTMENTS FROM UNEXPECTED TAXATION

Celeste C. Moya, *Director, Texas Financial Partners*

Gilberto A. Siller, *Attorney, The Siller Law Firm*



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*“In this world
nothing can be
said to be
certain but
death and
taxes” –
Benjamin
Franklin*

What Types of Taxes?



NO
Income Taxes

YES
Estate Taxes
(Inheritance, Transfer,
Succession, Gift)

Clasificacions

Non-Resident Alien

Resident Alien

Citizen



What Distinguishes Them?

Definition of "residence" as outlined by the Internal Revenue Service of the United States



Residence?

Residence = Domiciled

“Domicile: The place where you live, as long as you do not have the present intention of moving to another place.”

Subjective

Many Factors

Different For Income Taxes

Non-Resident Alien

Has property in the United States, but is not a citizen of the United States and is not “domiciled” in the United States.

Estate taxes are based **solely** on the values of their assets in the **United States**, not their worldwide assets.



Non-Resident Alien

Estate Taxes

40% of U.S. Assets

Exemption of \$60,000



Non-Resident Alien

Example:

Value of U.S. Assets:
\$1,000,000

$\$1,000,000 - \$60,000 =$
 $\$940,000$

$\$940,000 \times 40\% =$
\$376,000



Estate Taxes
(approximately)



Non-Resident Alien

U.S. Assets Included in Estate*:

Real Estate

Tangible personal property (jewelry, antiques, artwork, etc.)

Shares of stock of a corporation

Bank deposits for trade or business

Retained or beneficial interest in a trust (includes foreign trusts)

*Not a complete list. Consult with your legal counsel.

Source: <https://www.irs.gov>

Non-Resident Alien

Generally Excluded*:

U.S. personal bank deposits

Death Benefit from a U.S. life insurance policy

Stocks of companies incorporated outside of the U.S.

*Not a complete list. Consult with your legal counsel.

Source: <https://www.irs.gov>

Resident Alien

Resident of the United States and “domicilled”
in the United States.



Subject to estate taxes
on **worldwide assets**, not
only assets in the United
States.

Resident Alien

Estate Taxes

40% of Worldwide Assets

Exemption in 2018 for individuals = \$11,180,000
(subject to change)

Expect for it to return to approximately \$6,000,000 in 2026



Resident Alien

Example:

Value of Worldwide
Assets: \$15,000,000

$$\begin{aligned} \$15,000,000 - \$11,180,000 &= \\ & \$3,820,000 \end{aligned}$$

$$\begin{aligned} \$8,820,000 \times 40\% &= \\ & \mathbf{\$1,528,000^*} \end{aligned}$$



Estate Taxes
(approximately)



Gift Taxes

Annual Exemption = \$15,000

VALUE OF GIFT	TAX %*
\$0 - \$10,000	18%
\$10,001 - \$20,000	20%
\$20,001 - \$40,000	22%
\$40,001 - \$60,000	24%
\$60,001 - \$80,000	26%
\$80,001 - \$100,000	28%
\$100,001 - \$150,000	30%
\$150,001 - \$250,000	32%
\$250,001 - \$500,000	34%
\$500,001 - \$750,000	37%
\$750,001 - \$1,000,000	39%
\$1,000,001+	40%

*Aggregated

Where Does Life Insurance Fit In?



Life Insurance in the U.S.

One of the simplest ways to provide **liquidity** to pay estate taxes.

Can prevent the need to have property “fire-sales” or the need to liquidate other funds/savings to pay estate taxes.



Life Insurance in the U.S.

Financial security for spouse and dependents

Supplemental retirement income

College funds

Reduction of debts/
mortgage

Dollar denominated
contracts

Diversification of assets



Life Insurance in the U.S.

Insurance companies that are more stable than those in other countries

Types of policies and death benefit amounts not available in other countries

Confidentiality

Sovereign risk/creditor protection

Philanthropy/charitable donations

Questions for You

Do you have a tax problem?

How big is your problem?

Do you want to find a solution?

