Reporting Real Estate Investments on the 2017 BE-12C Survey Form
Topics Covered

• Brief overview of the BE-12 Benchmark Survey

• Instructions on filing the 2017 BE-12C survey form for “smaller” real estate investments
What is the BE-12?

• Foreign Direct Investment in the United States (FDIUS)
  – Foreign ownership of a U.S. business enterprise

• Surveys of FDIUS collect economic data on foreign-owned U.S. businesses ("U.S. affiliates")
  – A BE-12 Benchmark survey is required from U.S. businesses that meet the reporting requirements, whether or not contacted by BEA
Real Estate on the BE-12 Survey

• Foreign-owned U.S. real estate is considered a U.S. affiliate. This includes:
  – Single unit rental properties which the owners use for part of the year and rent out the rest of the time
  – A multi-unit residential/commercial property which leases out apartments and/or retail space
  – Equity REITs that are primarily engaged in leasing buildings or other real estate properties to others

This excludes:
  – U.S. residential real estate held by a corporation for the personal use of the corporation owner(s)
  – U.S. residential real estate that is an owner’s primary residence that is leased while the owner is out of the United States
“Real Estate” includes businesses engaged in:

– Renting or leasing real estate to others

– Managing real estate for others

– Selling, buying, or renting real estate for others

– Providing real estate related services
Real Estate on the BE-12 Survey

• A BE-12 report is required for U.S. affiliates owned or controlled 10 percent or more by a foreign person
  – Depending on the size of the U.S. affiliate, a BE-12A, BE-12B, or BE-12C form must be filed

• A BE-12C form is required if assets, sales and net income (loss) are all $60 million or less

• This tutorial is intended for “small” BE-12C form filers of real estate investments with assets, sales, and net income (loss) all below $20 million
Before we get started

• Aggregate real estate investments held by a foreign person to determine which form to file
  – File a single BE-12 form to report aggregate holdings
  – The aggregate holdings are considered one “U.S. affiliate”

• Certain form items might not be applicable, such as EINs or number of employees
  – Enter zero or leave blank as appropriate
Completing a 2017 BE-12C Form
Filing a BE-12C Form

• Forms can be filed electronically at www.bea.gov/efile
  – Most convenient, provides submission confirmation, and lets you access previous filings with BEA

• Forms can also be mailed or faxed to BEA. Forms are available at www.bea.gov/be12

• Previous filers – previous BE-12/15 filers and those notified to file by BEA have an assigned BE-12/15 ID, this ID is available in the letter you received from BEA

• First time filers – do not have a BE-12 ID assigned, but you do not need a BEA ID to file electronically!
- Enter your BE-12 ID number (if any, refer to slide 9)

- Provide a consistently identifiable name for the investment (i.e. the U.S. affiliate)

- An address where BEA can mail survey materials

- Provide contact information for the person who can answer questions about this report

- Provide information for the person certifying the report

- Can be same as the person listed in contact information or someone else
Item 1 – Ownership by another U.S. affiliate

- This report should aggregate real estate investments held by a foreign entity
  - All such investments are considered one U.S. affiliate, together with the holding company, LLC, or other U.S. entity that holds such investments
  - Any individual investment owned between 10 and 50 percent by a foreign individual should not be consolidated. It should file a separate report
- If the U.S. real estate is owned directly by a foreign individual, or an associated group of individuals, this item should be marked as “no”
**Item 2 – Employer Identification Number (EIN)**

| Enter Employer Identification Number(s) used by the U.S. affiliate to file income and payroll taxes. |
|---|---|
| Primary | Other |
| 1 | 2 |

Electronic filers do not need to report more than two IDs. Enter the IDs without hyphens. For example, if your ID is 12-3456789, you would enter 123456789.

- Real estate holdings without an EIN should leave this item blank.
Item 3 – State of location

• Since real estate holdings by a foreign person need to be aggregated, this report could consolidate properties in several states
  – If so, select the state of the real estate holdings with the highest property values
• If the real estate holding does not have an official fiscal year end date, enter “12/31/2017”
Item 5 – Acquired during 2017

- If this report covers a single property that was acquired during 2017 select “yes” and follow the associated instruction
- If this report includes several aggregated real estate holdings and some were acquired during 2017 but others were acquired before 2017, select “no”
- Every time a foreign entity acquires a new U.S. property, a BE-13 report is required to be filed. Additional information on the BE-13 is available at [www.bea.gov/be13](http://www.bea.gov/be13)
Item 6 – Majority or minority foreign ownership

Did the ownership (both direct and indirect) by ALL foreign parents in the voting securities (or an equivalent interest) of this U.S. affiliate EXCEED 50 percent as of the end of the U.S. affiliate’s fiscal year that ended in calendar year 2017?

“Voting interest” is defined in instruction 25.a.(1) on page 16.

1 Yes 2 No

• The answer is “yes” in these common scenarios:
  – The real estate is wholly owned by a single foreign owner or an associated group of individuals
  – The combined ownership stake of all foreign owners is greater than 50 percent
If you own several real estate properties, consolidate them in one report. Enter the total number of properties in the box provided.

- For each consolidated property, list the relevant property information in the Supplement A on page 9

If you own only one property, enter “1” in the box provided.
Item 8 – Unconsolidated properties

Report indirectly held real estate in which the combined ownership interest of all foreign owners is between 10 and 50 percent

– For most smaller real estate holdings the answer is likely to be zero
– If the number is greater than zero complete Supplement B on page 10
Item 9 – Major products or services

9 What is (are) the major product(s) and/or service(s) of the fully consolidated U.S. affiliate? If a product, also state what is done to it, i.e., whether it is mined, manufactured, sold at wholesale, transported, packaged, etc. (For example, “manufactured widgets.”)

Enter “real estate held as rental property”
Item 10 – Industry of the affiliate

- From the drop down menu select “5310 – Real Estate”
Item 11 – Sales

- Provide the gross rental income of the property
  - Do not deduct any expenses, report the sum collected from rental payments by tenants
• For a rental property this would normally represent rental revenue (as reported in item 11), minus property related expenses, i.e. homeowner association (HOA) fees, property taxes, etc.
Item 13 – Employees

• Provide the number of full and part-time employees **on the payroll** of the real estate affiliate

• DO NOT include workers such as home cleaning services that are contracted from third parties

• Report “0” if you have no employees on the payroll of the real estate affiliate. This will likely be the case for most smaller rental property holders
Item 14 – Assets

**BALANCE SHEET**

*NOTE – Foreign operations of the U.S. affiliate, including those in which it has a majority interest, are to be unconsolidated. Include all unconsolidated foreign operations using the equity method.*

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<td>Total liabilities</td>
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Check box if total liabilities are zero.

- Use the fair market value of the property to report your asset value
- If fair market value is not known, use historical cost or the purchase price of the property
Item 15 – Liabilities

- Provide the value of any liabilities, such as an outstanding mortgage, associated with the property.
- If there are no outstanding loans or other liabilities on the property, report liabilities as “0” and check the box to the right.
Item 16 – Intercompany debt

- If the U.S. real estate is held directly by a foreign individual, or associated group of individuals, whose only reportable U.S. investment is rental property, enter “0”
- This item will not be applicable to most rental property holders. If so, enter “0”
- Do not report an outstanding mortgage balance as an intercompany payable
Item 17 – Size of the affiliate

17 Did any ONE of the following three items – total assets, sales or gross operating revenues (excluding sales taxes), or net income (loss) – exceed $20 million at the end of, or for, the U.S. affiliate’s fiscal year that ended in calendar year 2017?

1. Yes – Skip to item 20, but review the diagrams on page 6 to assist you in answering items 25 through 29.
2. No – Complete ONLY items 18 and 19. DO NOT complete Part II or Part III of this form.

• If the answer is “Yes”, skip items 18 and 19, and complete part II and III of the form

• If the answer is “No”, you only need to complete items 18 and 19. DO NOT complete Part II and III of the form
  – Remember that you may still be required to complete the Supplement A or Supplement B on pages 9 and 10
Item 18 – Country of foreign parent

• If the foreign owner is an individual, or an associated group of individuals, enter the country that the foreign owner is a resident of.
  – You are considered a resident of the country in which you physically reside. If you are located outside of your country of citizenship, please see instruction 25b on page 17 of the 2017 BE-12C form.

• If the foreign owner is a business enterprise, enter the country of incorporation or organization
**Item 19 – Country of ultimate beneficial owner (UBO)**

- If the owner is a foreign individual, or associated group of individuals, item 19 will always be the same as the country selected for the foreign parent in item 18

**THIS IS THE LAST REQUIRED ITEM FOR REAL ESTATE HOLDINGS WITH ASSETS, SALES, AND NET INCOME (LOSS) BELOW $20 MILLION**
• Additional resources including survey forms, contact information, and guidance materials such as videos and frequently asked questions (FAQs) are available at www.bea.gov/be12

• File forms electronically at www.bea.gov/efile