

Financial, Legal & Tax Advisory

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New Reporting Requirement: Real Estate Report

Financial Crimes Enforcement Network (FinCEN) now requires certain professionals involved in real estate closings and settlements to submit reports regarding certain non-financed transfers of residential real estate to legal entities or trusts. This reporting requirement is designed to increase transparency in the U.S. residential real estate sector to combat and deter money laundering. This reporting requirement, known as the Real Estate Report, goes into effect on March 1, 2026. As mentioned above, the Real Estate Report must be filed on any reportable transfer, which is defined in the final rule as a non-financed transfer to a transferee entity or transferee trust of an ownership interest in residential real property.

Residential real property includes single-family houses, townhouses, condominiums, and cooperatives, including condominiums and cooperatives in large buildings containing many such units, as well as entire buildings designed for occupancy by one to four families. Certain types of land on which a residence is not yet built are also included. A transferee entity is defined as any person other than a transferee trust or an individual. For example, a transferee entity may be a corporation, partnership, estate, association, or limited liability company. However, certain regulated entities are exempt.

A transferee trust is any legal arrangement created when a grantor or settlor places assets under the control of a trustee for the benefit of one or more beneficiaries or for a specified purpose and includes most trusts and similar foreign legal arrangements. A trust is a transferee trust regardless of whether the residential real property is titled in the name of the trust itself or in the name of the trustee. However, certain types of trusts are exempt. What is considered a non-financed transfer? A non-financed transfer is a transfer that does not involve an extension of credit to all transferees that is both (1) secured by the transferred property and (2) extended by a financial institution subject to an AML program

requirements and Suspicious Activity Report (SAR) reporting obligations. Under this final rule, a reportable transfer is a non-financed transfer to a transferee entity or transferee trust of an ownership interest in residential real property. Transfers that are financed by a lender without an obligation to maintain an AML/CFT program and a requirement to file SARs are treated under the final rule as non-financed transfers that potentially must be reported.

Several transfers are not deemed to be reportable; some examples include:

1. A transfer that is a grant, transfer, or revocation of an easement.
 2. A transfer resulting from the death of an individual, whether pursuant to the terms of a will, the terms of a trust, the operation of law (such as transfers resulting from intestate succession, surviving joint owners, and transfer-on-death deeds), or by contractual provision (such as transfers resulting from beneficiary designations).
 3. A transfer incident to divorce or dissolution of a marriage or civil union (such as transfers required by a divorce settlement agreement).
 4. A transfer made to a bankruptcy estate.
 5. A transfer supervised by a court in the United States.
 6. A transfer for no consideration made by an individual, either alone or with their spouse, to a trust of which that individual, that individual's spouse, or both, are the settlors or grantors.
 7. A transfer to a qualified intermediary for a like-kind exchange for purposes of Section 1031 of the Internal Revenue Code.
 8. A transfer for which there is no reporting person.
- For more information regarding the newly required Real Estate Report, feel free to reach out to the professionals at The Center for Financial, Legal, and Tax Planning, P.C. at our website, www.taxplanning.com, or by phone at (618) 997-3436.

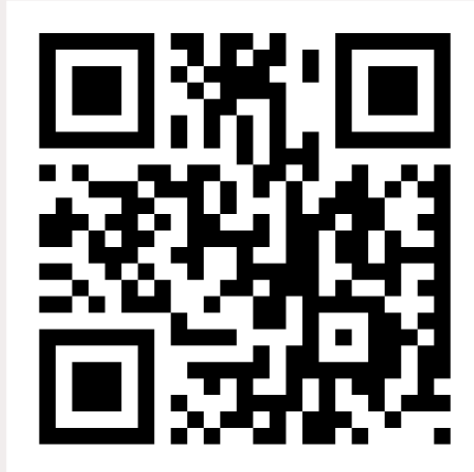
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