

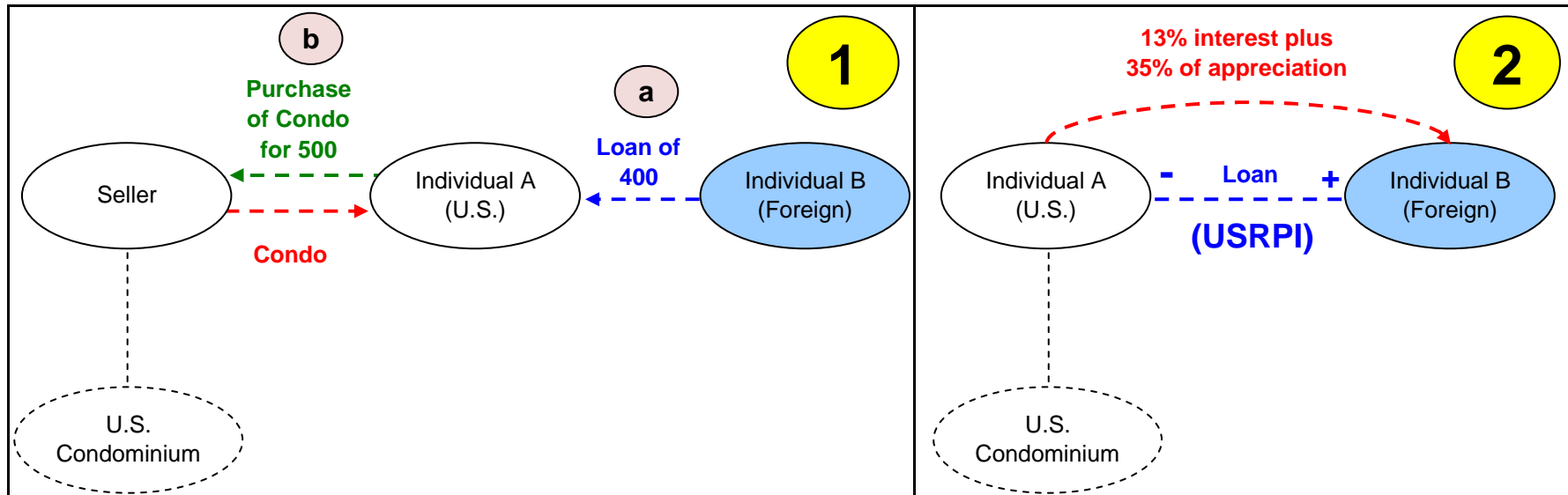
Reg. 1.897-1(d)(2)(i),
Example

**Loan With "Kicker"
is a USRPI**

Copyright © 2012 Andrew Mitchel LLC
International Tax Services
www.andrewmitchel.com

Initial Structure

Ending Point



A, a U.S. citizen, purchases a condominium unit located in the United States for \$500,000. A makes a \$100,000 down payment and borrows \$400,000 from B, a foreign person, to pay the balance of the purchase price. Under the terms of the loan, A is to pay B 13 percent annual interest each year for 10 years and 35 percent of the appreciation in the fair market value of the condominium at the end of the 10-year period. Because B has a right to share in the appreciation in value of the condominium, B has an interest other than solely as a creditor in the condominium. B's entire interest in the obligation from A, therefore, is a United States real property interest.

[HUNDREDS of additional charts at www.andrewmitchel.com](http://www.andrewmitchel.com)