



October 2018

It's Up to You to Know the Consequences

The news has been full of stories lately of surging real estate prices in the United States. Many Canadian visitors to such places as Florida, Arizona and Hawaii are seeing real estate promoters from these and other states running seminars about US real estate investing.

Many Canadians are viewing this as an opportunity to buy a US property before the prices get too high. But what are the consequences of owning U.S. property?

Estate Taxes - When someone dies and they own property in the United States, the Internal Revenue Service (IRS) will look to collect an estate tax. This tax is based on the value of the property. The IRS will determine the total estate tax owing based on the deceased's world wide assets. They view the entire gross estate value of the deceased to figure out how big an estate tax cheque needs to be written to pay the bill.

Remember, the deceased doesn't have to be a U.S. resident to have their estate subject to these taxes. All they have to be is a property owner there.

Rental Income - Many property owners will look to renting their property to offset some of the costs of ownership. This rental income will then be subject to taxes at several levels.

Depending on where the property is located, the rental income could be subject to state taxes, municipal taxes, a form of innkeeper taxes, and, of course, federal income taxes.

Maintenance - It is the dream of many to own a vacation property. If this property is in another country, it may prove to be expensive and inconvenient to keep the property maintained and repaired if it is several thousand kilometers away. Renters will expect repairs and upkeep to be done in a timely manner.

Capital Gains Taxes - If a property owner sells it while alive, it will be subject to both U. S. and Canadian capital gains tax. Canadian capital gains taxes will be due on death as well. There may be tax credits to offset this potential double taxation, but these taxes will still need to be paid.

Insurance - Depending on the location of the property, other types of insurance may be necessary, too, like termite insurance, something we don't even think about in Canada. Life insurance can be a cost effective way of taking care of any taxes due on death. And don't forget your out of country medical insurance when you're traveling.

Want help with your estate plans? Contact us by phone or email!

Maxine Saunders, CHS, CPCA

Bond Financial House - Worldsource Financial Management Inc.

Ph: 519.660.8035 - www.bondfinancialhouse.com - info@bondfinancialhouse.com

