

Heartland 2 – Coolidge, Arizona

FAQs – Property Taxes – US Taxes – General Info

1. What are the annual property taxes going to be?
 - a. The property tax rate for 2010 in Coolidge is \$11.76 per \$100 of the assessed valuation.
 - b. Assessed valuation is 16% of full cash value, which is something less than market value, approximately 85% of the sales price.
 - c. The vacant land tax assessment ratio is 16% of full cash value.
 - i. Here's the calculation for a \$27,000 lot
 $\$27,000 \times .85 = 22,950$
 $22,950 \times .16 = 3,672$
 $3,672 \text{ divided by } 100 = 36.72$
 $36.72 \times 11.76 = \$ 431.82$ –yearly taxes or \$ 35.98 per month
2. What are the tax issues if I sell and make a profit?
 - a. If a Canadian sells real estate located in the U.S. , a withholding tax of 10% of the gross sales price is normally payable under FIRPTA (the Foreign Investment in Real Property Tax Act of 1980). The tax withheld can be offset against the U.S. income tax payable on any gain realized on the sale, and refunded if it exceeds the tax liability. The 10% withholding requirement on the gross sales price applies regardless of the sellers adjusted basis in the property.
 - i. There are two exceptions to FIRPTAs 10% withholding requirement which may reduce or eliminate the requirement.
 1. Exception 1: Sales price less than U.S. \$300,000

First, withholding under FIRPTA will not apply if the property is sold for less than U.S. \$300,000, and the purchaser intends to use it as a principal residence. The buyer need not be a U.S. resident. For this exception to apply, the purchaser must have definite plans to reside at the property for at least half of the time that the property is in use during each of the two years following the sale. However, the gain on the sale will still be taxable in the U.S., and a U.S. tax return must therefore be filed. Thus, if a Canadian is selling a

Florida condo or any other U.S. real estate, for less than U.S. \$300,000 to a buyer who intends to occupy it as a principal residence, the seller will receive the full purchase price rather than having 10% withheld by the buyer and remitted to the IRS.

2. Exception 2: Withholding Certificate

Withholding certificate. The second exception allows for reduced, or eliminated withholding, where the Canadian obtains a withholding certificate from the IRS on the basis that the expected U.S. tax liability will be less than 10% of the sales price. The certificate will indicate what amount of tax should be withheld by the purchaser rather than the full 10%. A withholding certificate issued after the transfer of the property may allow the seller to receive an early refund.

3. Is it a capital gain or income?
 - a. Capital gain, unless CCRA deems that you are in the business of buying and selling lots then they will tax it as income.
4. What are the capital gain tax rates in Canada?
 - a. Currently 50.00% of realized capital gains are taxed in Canada at an individual's tax rate.
5. Do I have to file taxes every year in America?
 - a. You do not need to file taxes in America unless you start getting income from the property or sell.
6. Does owning real estate in America help me with a green card application?
 - a. No
7. Does owning real estate in America help me with a citizenship application?
 - a. No
8. What paperwork do I have to file if I don't have to file income taxes in America?
 - a. None until you realize income from the property
9. Can you show me the form that I will have to fill out when I sell my lot?
 - a. [1042S and instructions](#)

10. Can I hire a Canadian contractor to build my house?
 - a. Only if he is licensed in Arizona.
 - b. You can however build it yourself but apart from that exception all workers must be Americans
11. Does Capital Cost Allowance apply to land?
 - a. No
12. What can I write off each year in Canada and America?
 - a. Nothing, unless you choose to call it a business and create income from it such as rent, then you would have the usual write offs of any rental property
13. Do I have to be approved by an American government agency to own the lot?
 - a. No

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