Can Canadian buyers obtain *financing* on a Florida property?

- Yes. RBC is the most common mortgage lender for Canadians**.** Be sure to check with your real estate professional because they may know of other lenders- Most of the mortgages that you will get in the US as a Canadian will carry a premium, because as a foreign national you will be perceived to be an increased risk. This is because you probably do not have a US Social Security number nor any income or assets in the US. For instance, in the US you need a credit score. You can get your Canadian credit rating but if you default on a US loan, it will not affect your Canadian credit score.

- There is another alternative and that is to finance the home in Canada on your Canadian credit and pay cash for the US property. Before you brush that off, think about the added risks you are undertaking if the Canadian dollar drops back to its historic levels. Obviously your payment would remain in US dollars and cost you more Canadian dollars assuming that you don`t have US income this could be a problem. Keeping your loan and payment in Canadian dollars will reduce risk.

- If the US dollar drops and you are earning Canadian dollars, well then you would experience a wind fall. You should consult an accountant about this.

What restrictions are there for Canadian or Foreign National buyers purchasing homes in Florida?

- There are no restrictions on foreign nationals buying U.S. property.

What are the *closing costs and fees* associated with buying a property in Florida?

- Your biggest "closing cost" will likely be the fees you pay to your lender. Those fees vary greatly from lender to lender and from one loan program to another. Most Canadians are paying all cash so, of course, they are paying no loan fees.

- You will also pay for most or all of these: a home inspection, a termite inspection, an appraisal, an escrow fee, title insurance, a county recording fee, and if the home has a Homeowners Association (HOA) or Condominium Association. These will vary greatly from one HOA or Condo Association to another.

- In addition, at closing you will pay for some future expenses in advance. These "pre-paids" may include property taxes, homeowners insurance and association fees.

- You will have to pay either a title company or closing attorney to handle the closing.

- To help offset the initial cost of the infrastructure of a resort like community, some neighborhoods have a **Special Assessment** or **Community Development District Tax (CDDFL)**. These are additional fees that you may not pay on another property in another neighborhood. It is always wise to use a Realtor that specializes in the market you are considering.

How high are *property taxes* in Florida?

Property taxes are low in most parts of Florida. Check with your real estate professional because property taxes vary by county.

How high are *HOA fees* in New Smyrna Beach

- Be aware of homeowner association (HOA) fees, they can vary greatly. All condos and the majority of homes in Florida have HOA's, so do your due diligence on the HOA prior to closing escrow on your home.

Will Canadians pay tax on *rental income* generated from Florida investment property?

- Yes, the IRS will tax income from real estate owned by nonresident aliens.

- Snowbirds, who rent out their real estate located in the U.S., should be aware: a withholding tax of 30% normally applies to the gross amount of any rent paid to a resident of Canada on real estate located in the U.S. Unlike withholding taxes on interest and dividends, this tax is not reduced by the Canada-U.S. tax treaty. **One way for Canadians to avoid the 30% gross withholding tax** is to file a U.S. tax return and elect to pay tax on net rental income. The Canadian resident can then receive a refund for any taxes withheld; to the extent the withholding amount exceeds the tax payable.

- If a Canadian owns U.S. rental property and incurs significant expenses (mortgage interest, maintenance, insurance, property management, property taxes, etc.) he/she may want to file a U.S. income tax return and take advantage of the net rental income election. The amount subject to tax at the marginal rate will likely be substantially lower than the amount subject to 30% withholding.

- ***Interested buyers should contact an accountant or attorney for details.*** We can certainly recommend both.

Will Canadian homeowners be subject to *capital gains tax* when they sell their Florida property?

- Yes, foreign nationals are subject to U.S. capital gains taxes on real estate sales.

- Because the U.S. Internal Revenue Service (IRS) can't easily go after foreign nationals to collect this capital gains tax, there are special U.S. tax "withholding" requirements when foreign nationals sell real estate.

- 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 seller's adjusted basis in the property.

- There are two exceptions to FIRPTAs 10% withholding requirement which may reduce or eliminate the requirement.

- **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.

- **Exception 2:** 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.

- ***Interested sellers should contact an accountant or attorney for details.***

One last point, before you purchase property, make sure that you do your research. Buying property in the US is not something you should do without getting proper advice. I know that this sounds like a normal disclaimer but believe me, you want to know exactly what you are doing before you hand over your hard earned cash and assume a liability in a foreign country. For example, you will want to connect with a Realtor that works with foreign nationals and that is capable of properly representing your best interests…. like Eco International Real Estate! Going through a competent Realtor that specializes in second homes and vacation neighborhoods will not cost you anymore, so search them out in the market that you are considering buying in. In my opinion, you are smart to be looking now. Many exceptional deals are available in a number of markets currently and when things do turn around, you will have a good chance of being very happy with your choice. Good luck and happy home hunting.