

Selling your property in Florida

If a Canadian has purchased a property in Florida and now wants to sell, he will have to pay tax on capital gains. A capital gain is the situation in which the selling price of the property is higher than the original purchase price. For example, if you bought the property for \$ 100 000 and you had sold for \$ 150, 000, your gain is \$ 50,000. It is easier to think of a gain as a profit. It is important to know that the gain is realized only to the sale of the property. You can not be subject to tax on capital gains on properties that you have not sold. If you have a property for more than 12 months, capital gains from the sale will be taxed as capital gains in the long term at a rate that does not exceed 15%. The IRS encourages long-term investments rather than short-term investments. Thus, the rate of capital gains for short-term investments are almost always higher than long-term investments. In Canada, a tax credit is available to avoid double taxation for the tax already paid in the United States.

According to the Foreign Investment in Real Property Tax Act of 1980 (FIRPTA), all Canadians who sell their U.S. properties are subject to a withholding tax of 10%. There is an exception that can reduce or eliminate the withholding tax. The withholding under FIRPTA does not apply if the property is sold at less than U.S. \$ 300,000, and if the buyer intends to use the property as a principal residence. The buyer does not have to be a resident of the United States. This means that the Canadian seller receive the full purchase price without being subject to withholding tax of 10%. However, the gain from the sale will still be subject to tax in the United States and a U.S. tax return should be filed.

A Canadian resident who has sold a property in the United States may be concerned about double taxation. If you are a Canadian resident, you must pay tax on your worldwide income and record on your Canadian tax return. However, you can claim a credit for taxes paid abroad to avoid double taxation.

MARCEL R BEAUMONT

Realtor TRC & Notary Public

PARADISE PROPERTIES OF FLORIDA

954-261-1376

HousesInParadise@aol.com

www.FloridaUSA.ca