

Phoenix Real Estate - FAQ

Frequently asked questions about purchasing real estate in Arizona

We can guide you through the process of buying real estate in Arizona. If you choose to purchase a home as an investor looking to purchase a revenue property, we have 3 full time property managers right at our Real Estate company to assist you with that. We have the resources of real estate lawyers, tax lawyers and accountants with international experience that can offer you complimentary advice and/or preferred rates for their services. We can also recommend lenders, inspectors, title companies and contractors to help you with the purchase of and also the maintenance of your home in Arizona. Whatever your needs may be, let us know and we will do our best to help you with your property investment in sunny Arizona.

How do I obtain financing to buy property?

Many of our clients use the equity out of their home in Canada to purchase their property in Arizona for cash. We have a very experienced mortgage broker that can arrange for a homeowner's line of credit or to refinance your existing mortgage. This method generally is the easiest and least expensive way to purchase a property in Arizona. A Proof of Funds Letter would be required from a prospective seller in order to have a purchase offer considered so it is a prudent idea to get this in advance of coming down to Arizona to shop for a property.

However if you would prefer to get a mortgage to purchase property from lenders in the USA then generally you will be required to provide the following to a lender:

1. Copies of passport and visa.
2. Last two pay stubs.
3. Last two bank statements.
4. Last two years tax returns. If self employed, a letter from an accountant stating how many years you've been in business, and business tax returns.
5. Verification of 2 years employment history.
6. International credit report - lender will order.
7. Set up American bank account for transfer of money.
8. Generally, the lender will require 20% to 35% down payment.

What costs are involved in purchasing a property in Arizona?

Most of the cost involved in purchasing a property will be fees that you pay to the lender, which is primarily done through a title company. In Arizona, the title company handles the transaction, so there isn't the cost of an attorney.

You will also most likely pay for a home inspection, termite inspection, an appraisal, the escrow (title) fee, title insurance, recording fee, property taxes and homeowner's insurance all of which get added to the closing statement instead of having to pay for up front (except homeowners insurance paid separately).

A good rule of thumb is to figure your closing costs will be approximately 3% or the purchase price of the home. This cost will be much less if you are paying cash for a property (approx 1%). Arizona does not have a real estate transfer tax. The seller pays the commission for the real estate agent.

What about property taxes in Arizona?

You will be pleasantly surprised by how low our property taxes are. Each city and county will vary slightly, but taxes are usually around .8 - 1.5% of the purchase price.

Are Canadian buyers subject to capital gains tax when the Arizona property is sold?

The Foreign Investment in Real Property Tax Act (FIRPTA) imposes U.S. tax on income and gains from real estate owned by "non-resident aliens" at the same graduated rates applicable to U.S. persons. It is recommended you consult an accountant or lawyer for details. We can guide you to our tax lawyer and accountant here in Phoenix that have international experience. However, this article may interest you:

ARTICLE: Buying U.S. vacation property brings tax consequences

*Terry McBride
The StarPhoenix*

Monday, January 07, 2008

Many Canadian snowbirds want to take advantage of the strong Canadian dollar to buy American vacation homes. As added incentive, real estate prices have fallen in many areas of the U.S.

Baby boomers reaching retirement age are finding a buyer's market for homes in southern states such as Florida, California, Texas and Arizona. Here are some pros and cons of buying a vacation home in the U.S.

Pro: Potential capital gain

You could be buying at the bottom of a market downturn. If you hold on to your U.S. property for the next 10 or 20 years, you would hopefully sell at a profit. Later in retirement, these sales proceeds could nicely replenish your retirement savings, perhaps at a time when you are faced with rising health-care costs.

Pro: Escape winter cold

You can golf during the winter. Living in a warm climate means you would have minimal heating costs.

Con: Health insurance

U.S. health care is costly if you are sick or have an accident. Every time you cross the border to go to your American vacation home be sure that you have adequate health insurance. Premiums rise dramatically with age and could eventually become prohibitively high.

Con: U.S. withholding tax

When you sell your U.S. vacation home be prepared for red tape. Normally 10 per cent of the gross sales proceeds must be withheld by the buyer and remitted to the Internal Revenue Service. This tax can be refunded if it exceeds your tax liability when you file a U.S. income tax return to report your capital gain.

To file a U.S. tax return you must first obtain an Individual Taxpayer Identification Number.

You must also report the capital gain, in Canadian dollars, on your Canadian tax return. Remember to convert the U.S. dollar purchase price and sales proceeds at separate currency exchange rates, one for the time of purchase and one for the time of sale.

Con: U.S. estate tax

If you die while you own your U.S. real estate, your executor would normally have to file a U.S. estate tax return. As well, to be able to sell your property your executor would normally have to "reseat Letters Probate."

Suppose most of your property is located in Saskatchewan, for example, but you own a vacation home in Arizona. The Saskatchewan court document called Letters Probate only gives your executor authority over Saskatchewan property. More probate fees would have to be paid in Arizona to give your executor authority to deal with your property in that state.

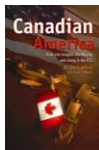
Con: Lack of liquidity

You or your executor must be patient, in a normal real estate market, if you expect to receive fair market value from a sale. Unlike a mutual fund portfolio, you may not be able to turn your vacation home into cash in a hurry if the need arises.

Most professional advisers are not well versed in cross-border estate and tax planning strategies. U.S. advisers primarily deal with U.S. citizens while Canadian advisers know Canadian property rules.

In summary, buying a vacation home in the U.S. at a bargain price is probably best seen as a lifestyle decision. Considering the red tape involved in selling, don't view the purchase solely as an opportunity to make a quick profit.

Here are three suggested reads specifically about Canadians purchasing property in or moving to the United States....

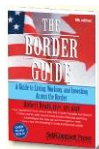


- 1) The Canadian in America...Authors- Terry Ritchie & Brian Wruk



- 2) The Canadian Snowbird in America...Authors- Terry Ritchie & Brian Wruk

These two books are available for order on the web at: <http://www.transitionfinancial.com/>



- 3) The Border Guide...Author- Robert Keats

Written by Mr. Robert Keats, the Founder of Keats, Connelly and Associates, *The Border Guide* has sold over 70,000 copies and is considered the definitive and comprehensive cross-border financial planning tool for Canadians living, working and investing in the United States. To date each edition has been a Canadian best seller.

To order The Border Guide online just visit: <http://www.theborderguide.com/>