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Cross-border real estate simplified

Owning U.S. property need not be as complicated as it may seem says author and tax expert

By **STEVE MacNAULL**
 The Okanagan Saturday

They are called cross-border lifestyles. Or sun belt buyers or snowbirds, if you will. They are the Canadians who purchase vacation and investment homes in the southern U.S. to beat our Great White North winters and make some rental income and equity on the side.

"With the perfect storm we're having right now there's more of them than ever," said Montreal-based buying-in-the-U.S. expert and tax lawyer David A. Altro during a stop in the Okanagan this week.

"Real estate prices in the U.S. are depressed, representing great deals for Canadians, plus the loonie is high."

That means Canadians are not just buying a property they will use for vacations, but rent out when they aren't using it to generate some income.

Other Canadians are buying five to 10 U.S. homes at a time and renting them out full-time to pull in even more revenue.

Altro is the author of *Owning U.S. Property The Canadian Way*, the managing partner at Altro & Associates in Montreal, and works in conjunction with lawyers at Altro firms in Toronto, Calgary, Vancouver and in U.S. sun belt destinations Phoenix, Arizona and Fort Lauderdale, Sarasota and Naples, Florida.

"Buying U.S. property is not complicated," pointed out Altro, who led a seminar organized by Royal Bank for 200 people at the Best Western Inn in Kelowna. "But you have to do it right to protect yourself and pay the least amount of taxes."

Altro's speaking tour also brought him to Vancouver, West Vancouver and Victoria.

Altro's answer to almost every question about buying a vacation, second or investment home south of the



STEVE MACNAULL/The Daily Courier

Tax lawyer David A. Altro, the author of *Owning U.S. Property The Canadian Way*, led a seminar for 200 people at Kelowna's Best Western Inn this week.

49th parallel is 'cross-border trust'.

"The key is not to put the U.S. property in your own name nor a Limited Liability Company (LLC), (but) put it in a cross-border trust," he stressed.

That way when you pass away, your estate avoids probate (the lengthy and costly U.S. legal process of dealing with claims on and distribution of estates).

A cross-border trust also allows your estate to avoid U.S. state and death tax.

A trust also means you pay the lowest capital gains tax if you decide to sell your U.S. property.

And a trust also means if you have rental income you pay only U.S. tax on it.

You declare the income in Canada as well, but don't have to pay tax in Canada because the trust prompts a foreign tax credit.

"If you own a U.S. property in your own name, you open yourself up to probate of your estate, state and death taxes, higher capital gains taxes and paying double (in both Canada

and the U.S.) taxes on rental income," said Altro.

Altro stressed he is not a real estate broker, he leaves that job to the U.S. representatives who show Canadians condominiums, townhouses, homes, villas and land in snowbird states like California, Arizona, Texas and Florida. "But I can advise on purchases and identify all the tax issues and implications," he said.

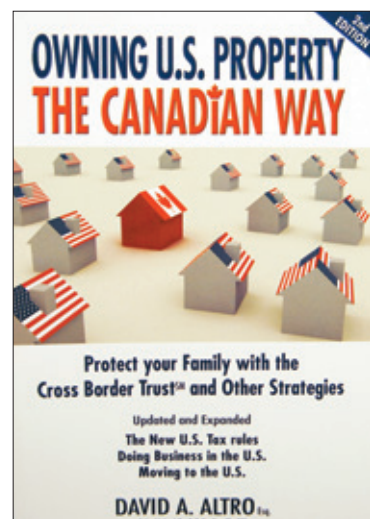
"I can also advise on inspection clauses and title issues. It's important Canadians have the property they are buying inspected and are protected if something goes wrong."

"It's also important to make sure you get free and clear title."

Altro recommends all Canadian buyers use a lawyer familiar with cross-border tax and issues.

He also advises clients to hire an accountant with cross-border experience to file income tax returns, especially when there's rental income involved.

Owning U.S. Property The Canadian Way (self-published, 136 pages) is available for \$20 at AltroLaw.com.



Taking Valley wines to the big city

The grapes may be grown and the wine made in the Okanagan, but the reality is the Lower Mainland is the biggest market for Valley vintages.

As such Penticton's Painted Rock Winery held its release of 2009 reds and 2010 whites Thursday at downtown Vancouver's Gotham Steakhouse.

Besides showcasing the wines to invited guests, including the buyers for restaurants and private liquor stores in Vancouver and media, Painted Rock's reds are a perfect match for a steak dinner.

While five wines were launched, it was the winery's Bordeaux-style Red Icon (\$55 a bottle) that was the star of the show.

The blend of cabernet sauvignon, merlot, cabernet franc, petit verdot and syrah just won a gold medal at the 2011 Canadian Wine Awards.

It's also developing quite the cult following for its typical Bordeaux characteristics of bell pepper, cedar and mint combined with some unique dusty sage from Painted Rock's terroir on the bench overlooking the eastern shore of Skaha Lake.

Other wines launched include the merlot, cabernet sauvignon and syrah (all priced at \$40 a bottle) and the chardonnay (\$30).

The grown in the Okanagan launched in Vancouver philosophy is in step with Painted Rock owner **John Skinner**.

While he has the winery in Penticton, he's a former investment broker who lives in Vancouver and uses his contacts in the city to promote the Painted Rock brand there.

But that doesn't mean you can't find Painted Rock's wines in the Okanagan.



Photo contributed

Penticton's Painted Rock Winery held its wine launch this week in Vancouver instead of the Okanagan because the Lower Mainland is the bigger market.

They are available in lots of private liquor stores — from Westminster and Clancy's in Penticton to Discover Wines in Kelowna and Vernon Square — and restaurants — from Intermezzo in Vernon and CHOP in Kelowna to The Hooded Merganser in Penticton and the Naramata Heritage Inn.

Become a local buyer

It appears shopping locally is easier said than done.

A survey by OurOkanagan.ca — the site

that helps match Valley businesses with both individual consumers and business buyers — shows that consumers buy from businesses outside the Okanagan mostly for better price and selection.

Meantime, 89 per cent of those surveyed said buying local was important to them.

That means there's an opportunity for Okanagan companies to snag more of the market by offering more selection and better prices.

Shoppers also said they relied mostly on word of mouth, local advertising and Google Internet searches to find out what



STEVE
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Valley Views

products and services are available locally.

As such OurOkanagan.ca recommends that local businesses offer exceptional customer service to keep word of mouth positive, keep advertising locally as well as have a strong web presence to show up well on Google.

OIB biz park ready

The Osoyoos Indian Band says it's hit the balance of respect for the land with economic development with the opening of its 112-acre Senkulmen Business Park off Highway 97 just north of Oliver.

The ecologically sustainable park will attract a new wave of commercial, light industrial and institutional tenants.

The Osoyoos band is both economically and environmentally minded with nine businesses, including Spirit Ridge Resort, Nk'Mip Winery and a cultural centre, set amid its traditional desert lands in the South Okanagan.

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