

Ask the Expert: Tax, Legal & Estate Considerations for Owning a U.S. Property & the Economic Outlook - 2023



Carrie Freestone

Economist
RBC Economics

Alain Forget

Director, Business Development
RBC Bank

Shlomi (Steve) Levy

Partner
Levy, Salis



Today's Facilitator



ALAIN FORGET

Head of Business Development

Alain has been working for RBC for over 40 years, holding various business and sales leadership roles in Canada, the Caribbean and the U.S. He is passionate about helping Canadians purchase U.S. homes and works closely with consumers, real estate professionals and other strategic partners to provide education and opportunity to Canadian buyers in the U.S. Alain acts as spokesperson for the media and at real estate conferences as a subject matter expert. He is also a licensed real estate agent in Florida and holds a degree in Finance & Management.

Today's Speaker



CARRIE FREESTONE

Economist, RBC Economics

Carrie Freestone is an economist at RBC. She is a member of the macroeconomic analysis group and is responsible for monitoring key indicators including consumer spending, labour markets, GDP, and inflation. Carrie produces economic analysis that she delivers to clients and the public through publications and presentations. She holds a Bachelor of Arts in Economics from Queen's University and a Master of Arts in Economics from the University of Ottawa.



Canadian Economic Update

November 2023

Carrie Freestone
Economist

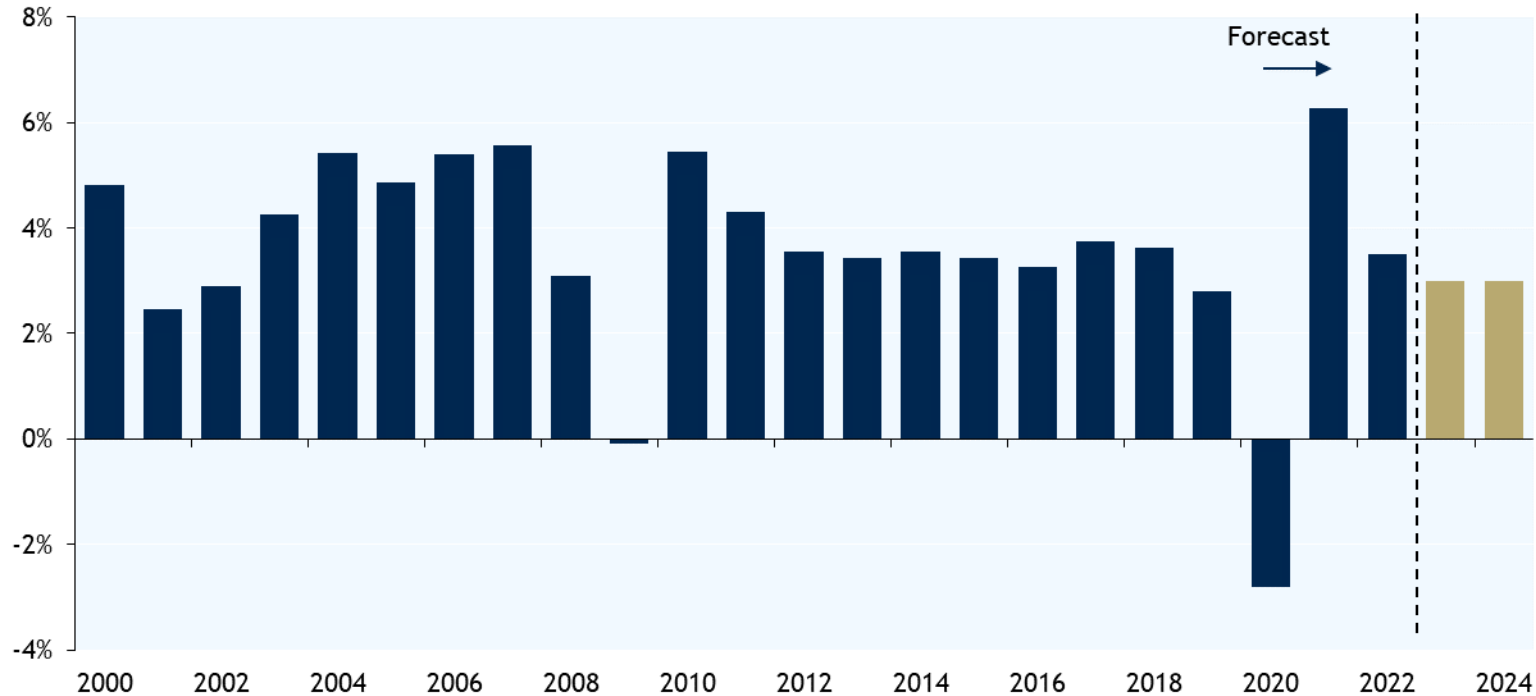
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Global GDP growth slowing from pandemic highs as momentum fades

Global GDP growth

year-over-year % change

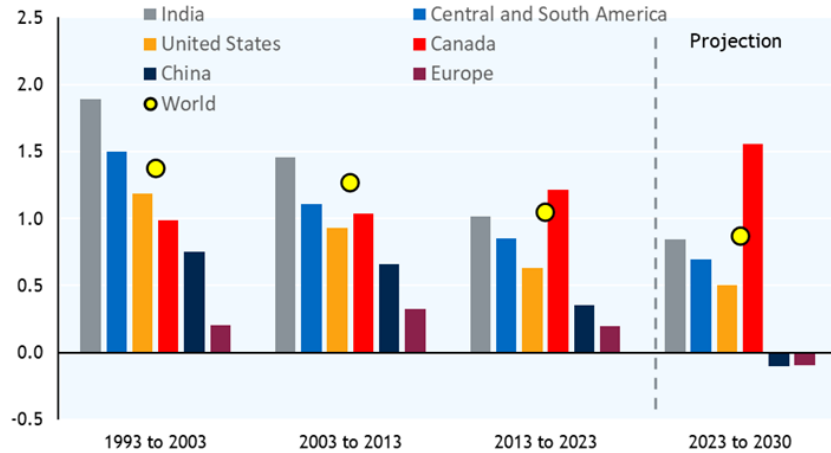


Source: IMF, RBC Economics

Population growth is distorting real GDP growth - households are worse off than they appear

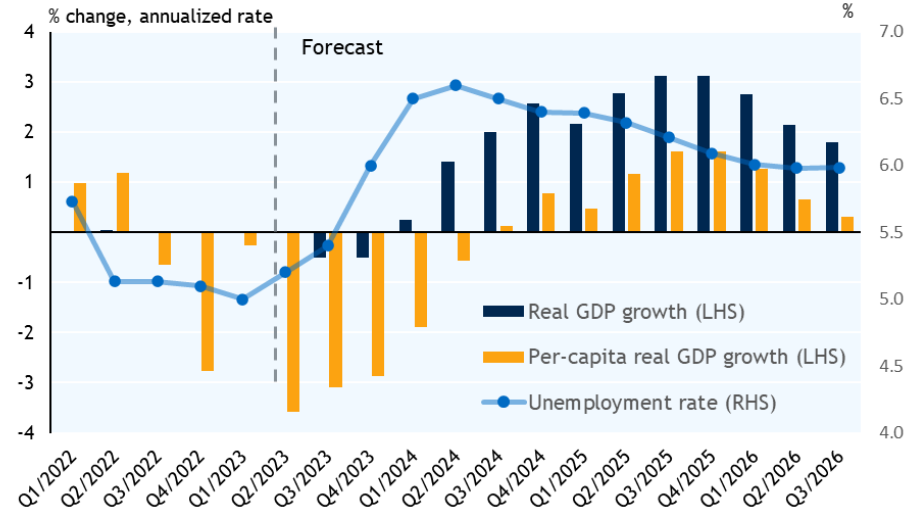
Population growth slowing (everywhere but Canada)

Average percent change per year



Source: UN population projections (Statistics Canada for Canada), RBC Economics Research

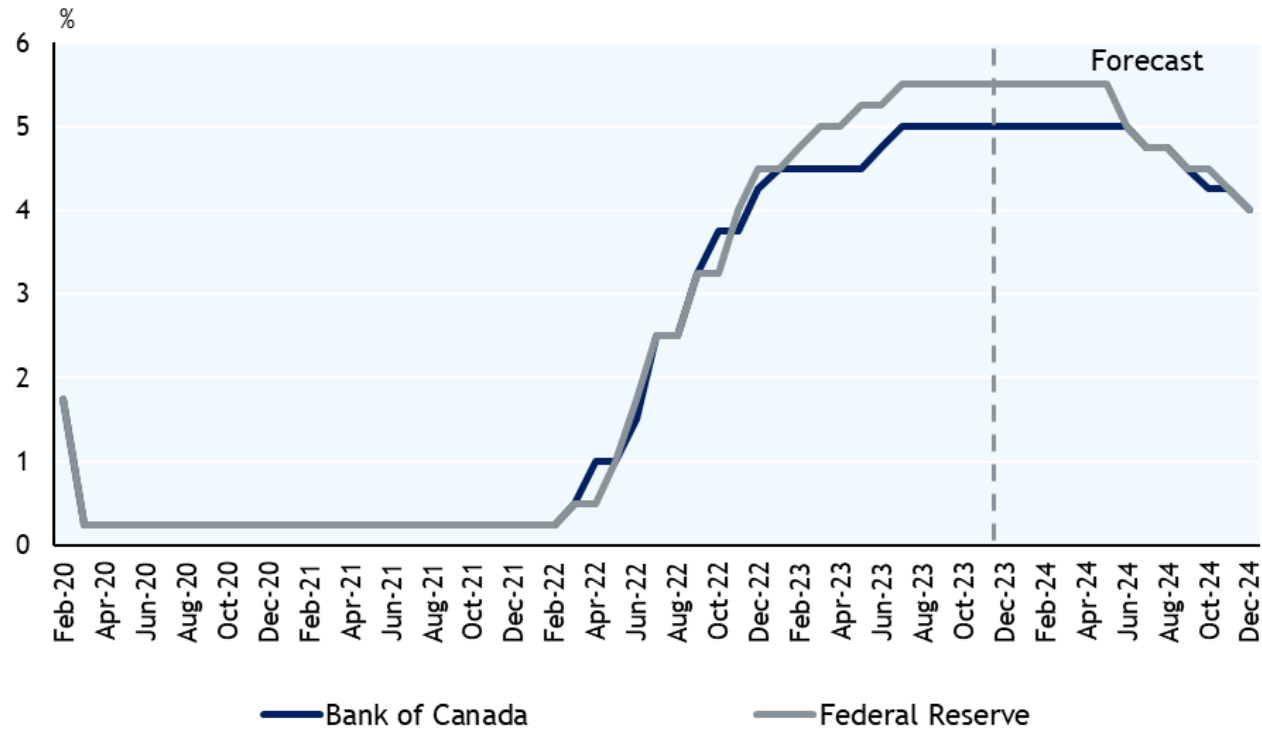
GDP vs. per-capita GDP growth



Source: Statistics Canada, RBC Economics

Further BoC and Fed rate hikes now 'data dependent' but would prefer not to hike again unless necessary

Central banks hike interest rates to fight inflation

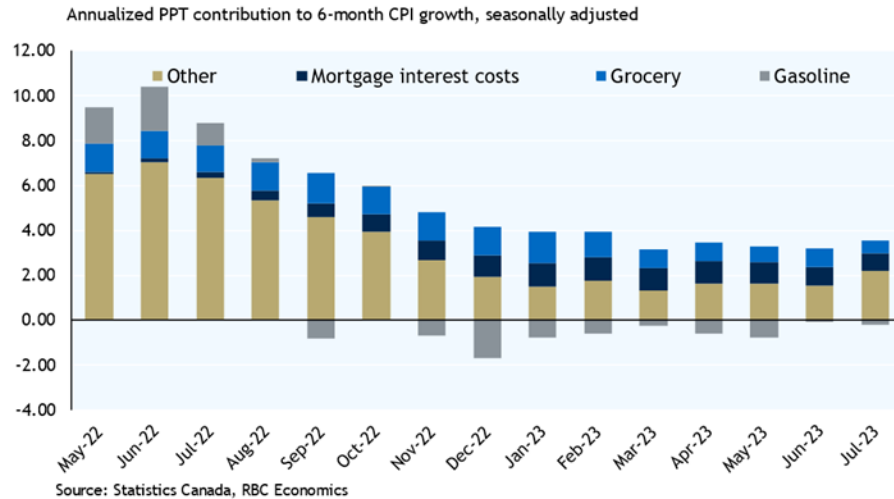


Source: Haver, RBC Economics

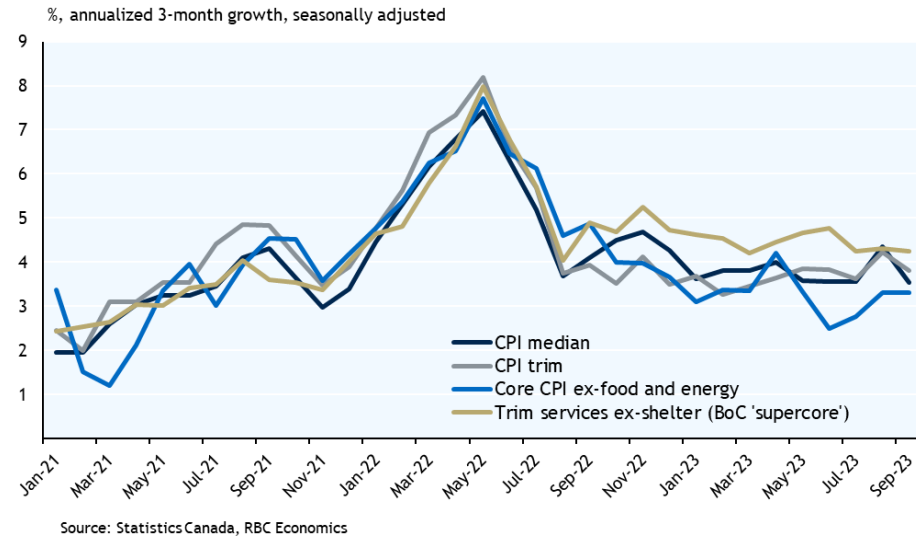


Canadian inflation growth has slowed but 'core' measures still running above target

Mortgage interest costs surge as grocery price growth slows



Central bank's preferred core measures stayed well-above 2%

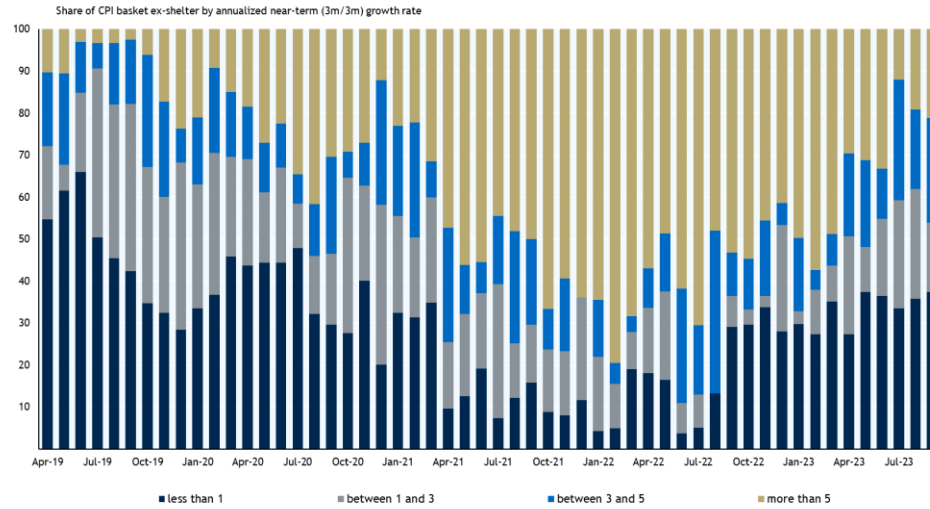


<https://thoughtleadership.rbc.com/rbc-inflation-watch/>



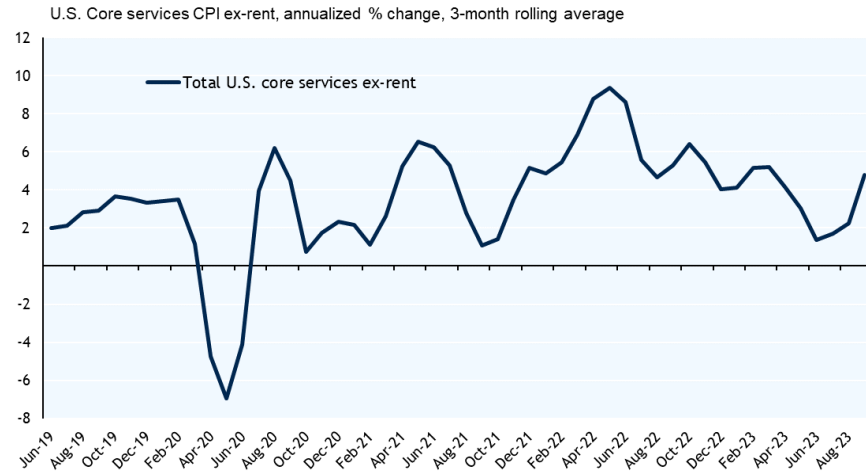
More signs of softening in U.S. price growth, despite resilient consumer spending

Breadth of inflation pressure still broader than pre-pandemic levels



Source: U.S. Bureau of Labor Statistics, RBC Economics

Fed's 'supercore' bouncing back to 4%-5% range in September



Source: U.S. Bureau of Labor Statistics, RBC Economics

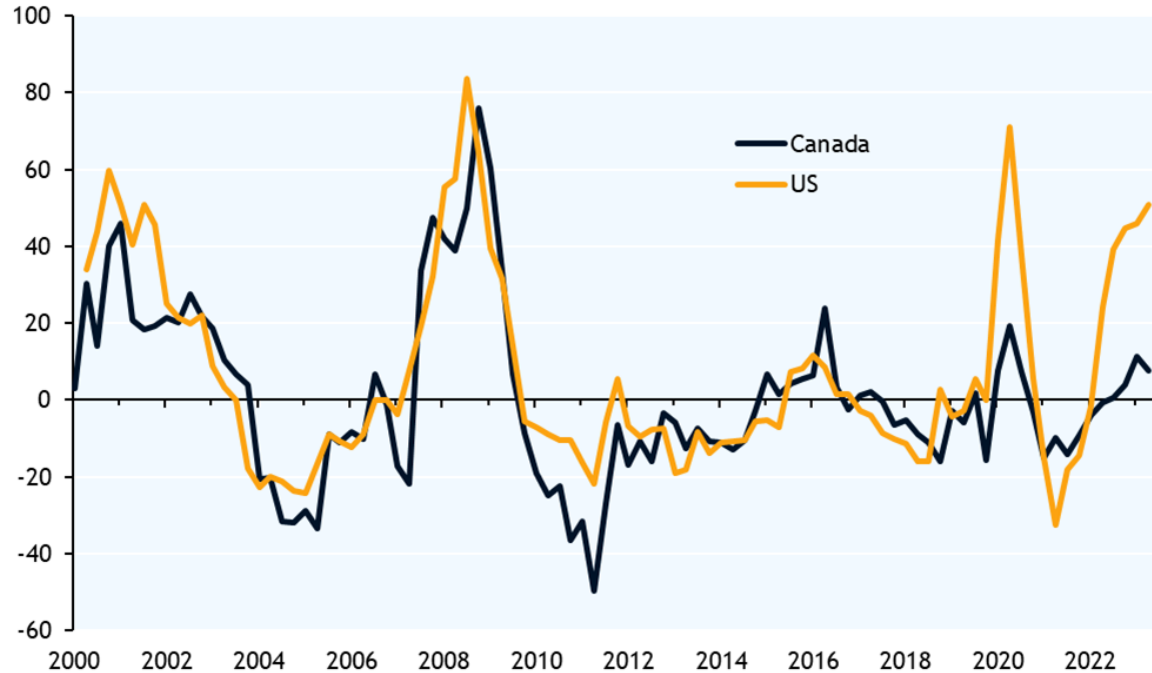
<https://thoughtleadership.rbc.com/rbc-us-inflation-watch/>



Credit conditions continue to tighten – U.S. lenders pulling back more than Canada’s

US credit conditions continue to tighten

Net percent of lenders expecting tightening in business loan conditions

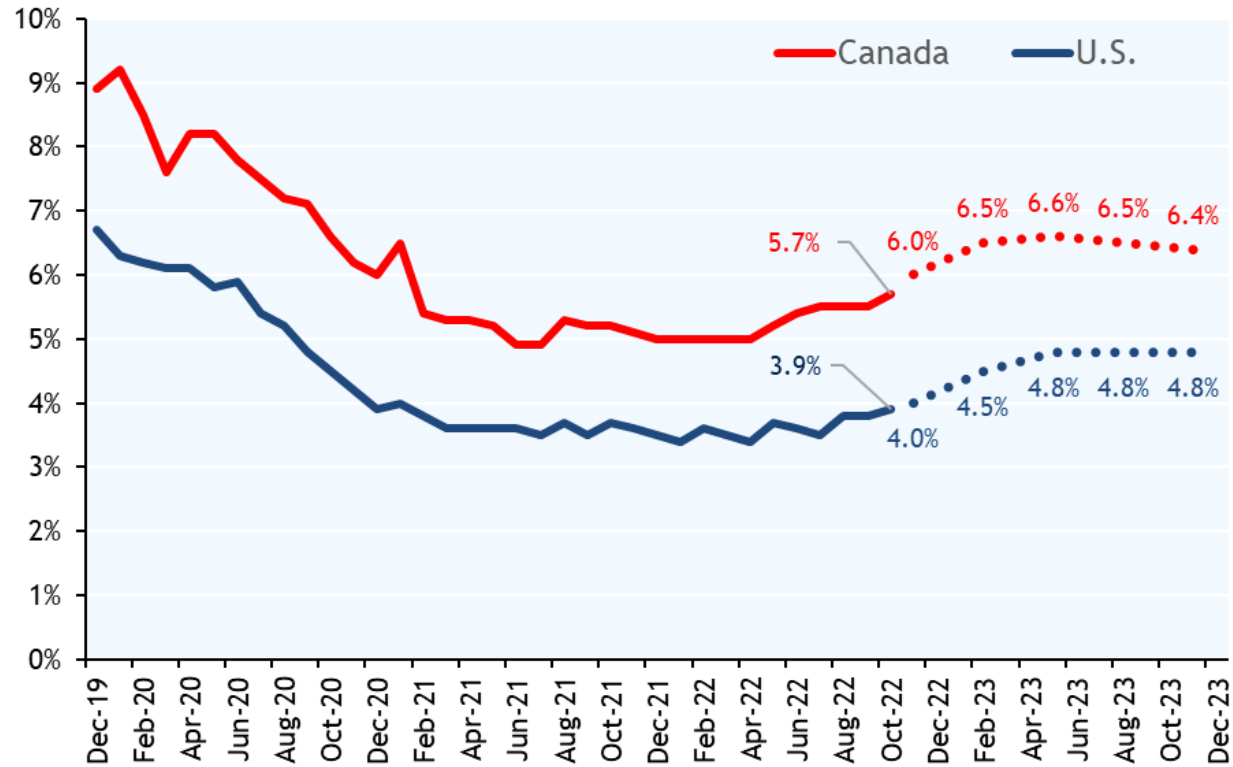


Source: BoC, Fed, RBC Economics

Signs of easing in labour market tightness Canada – long-expected Canadian unemployment rate upswing begins

Jobless rate to rise from low levels

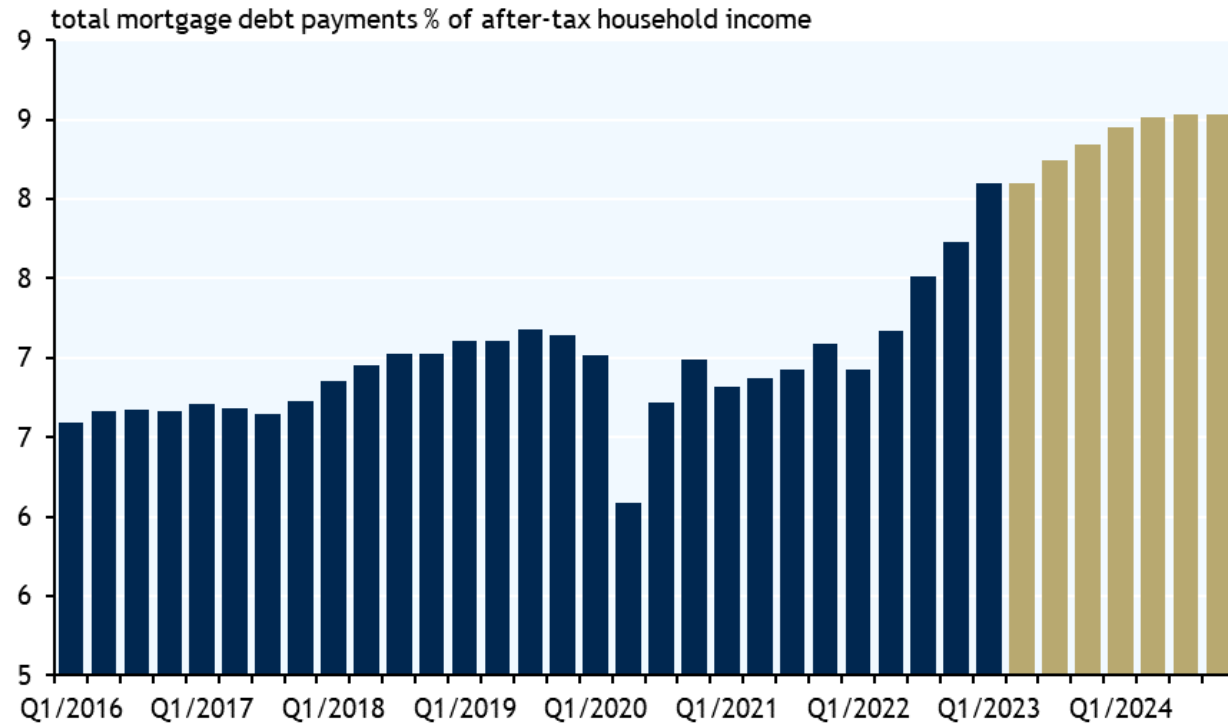
Canadian unemployment rate, percent



Source: Haver, RBC Economics

Canadians spending a record share of take-home pay on mortgage payments

Canada Mortgage Debt Service Ratio

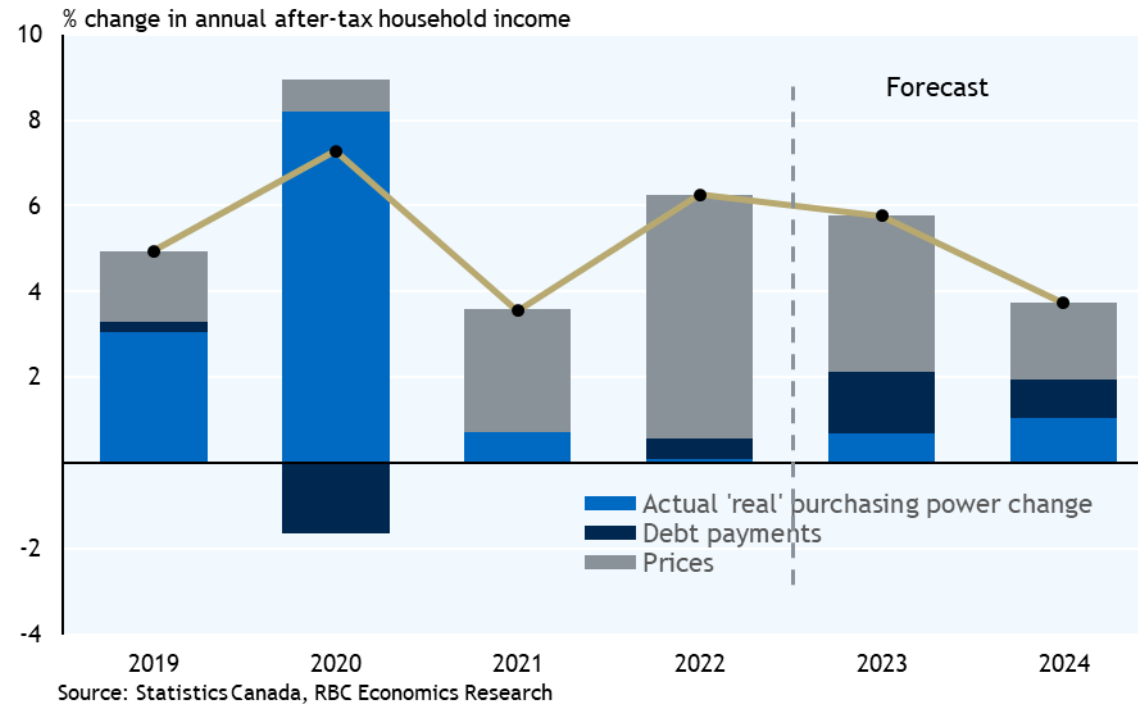


Source: Statistics Canada, RBC Economics Research



Higher debt payments and inflation soaking up Canadian household purchasing power

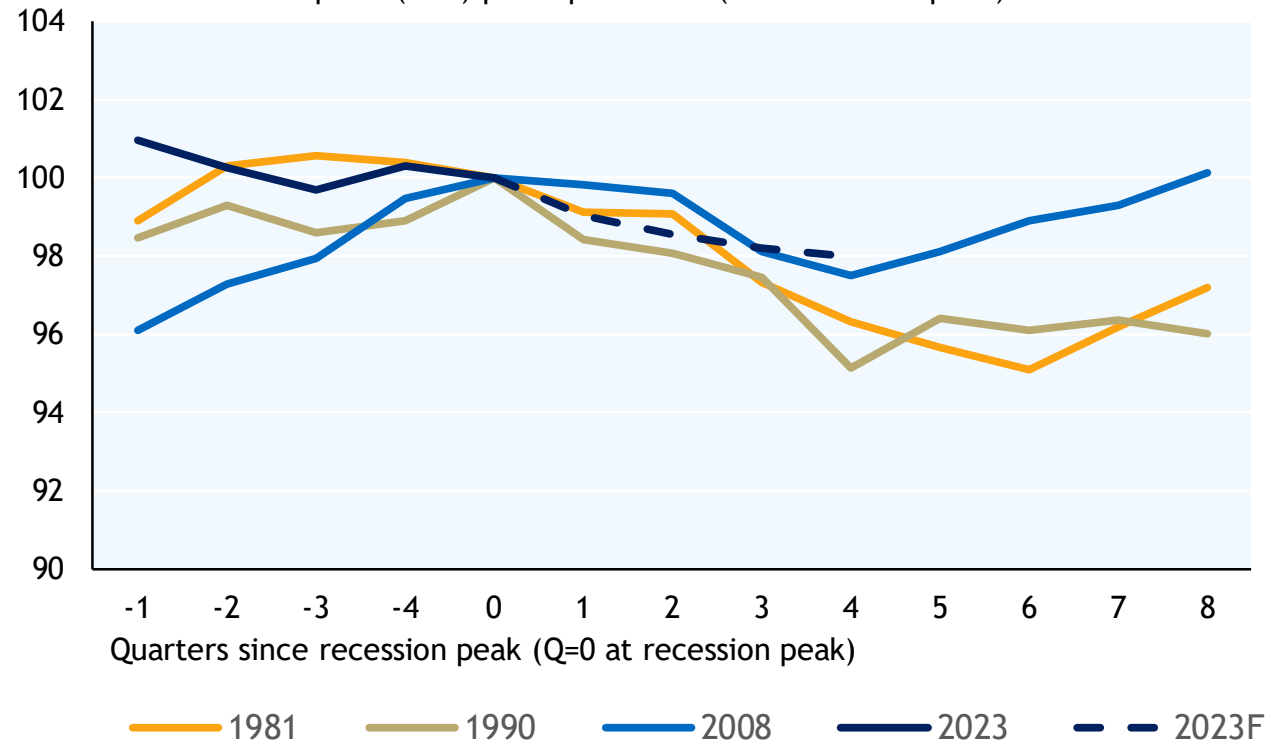
Debt payments and inflation soaking up household incomes



Consumption has already flattened on a per capita basis

Canadian per capita consumption trends expected to be in line with prior recessions

Household consumption (real) per capita index (100=recession peak)



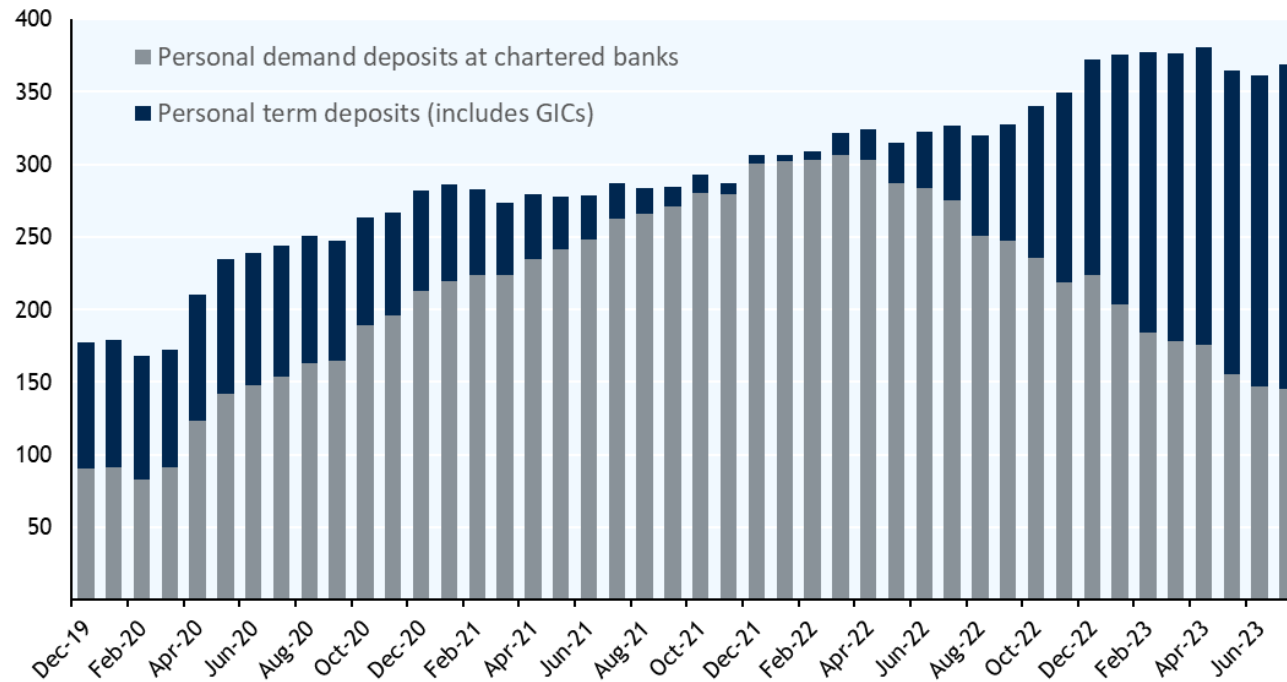
Source: Statistics Canada, RBC Economics



Cash savings are still high, but shifting to term deposits (less likely to be spent)

Canadians still sitting on huge cash stockpile vs. pre-pandemic

41- mth change (latest data shows accumulation from Feb-2020 to Jul-2023 in billions)



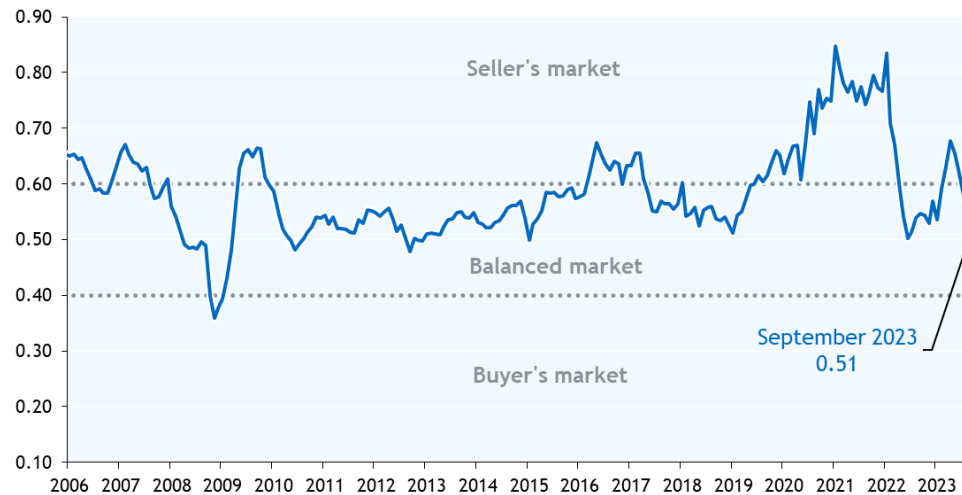
Source: CBA, RBC Economics Research



Housing markets bottomed earlier-than-expected in the spring – population growth underpinning demand

Sales-to-new listings ratio in Canada

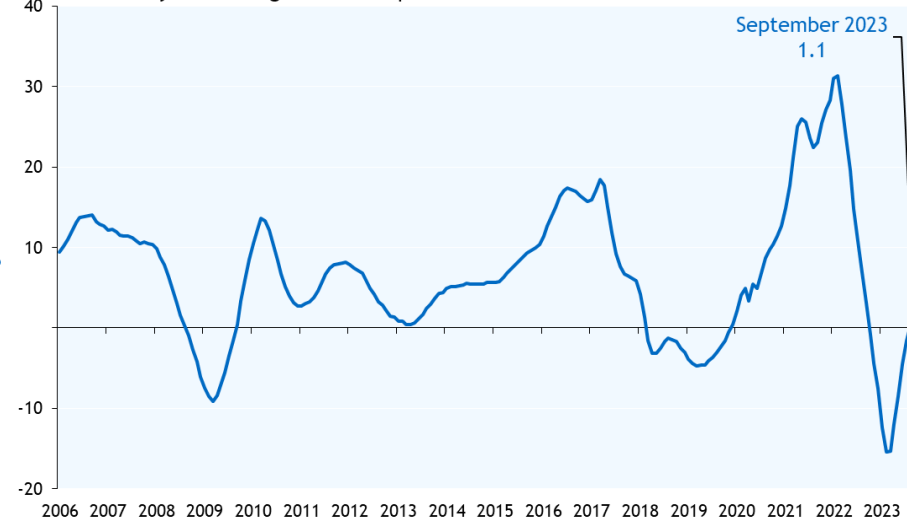
Seasonally adjusted



Source: Canadian Real Estate Association, RBC Economics

MLS Home Price Index - Canada

Year-over-year % change in the composite index

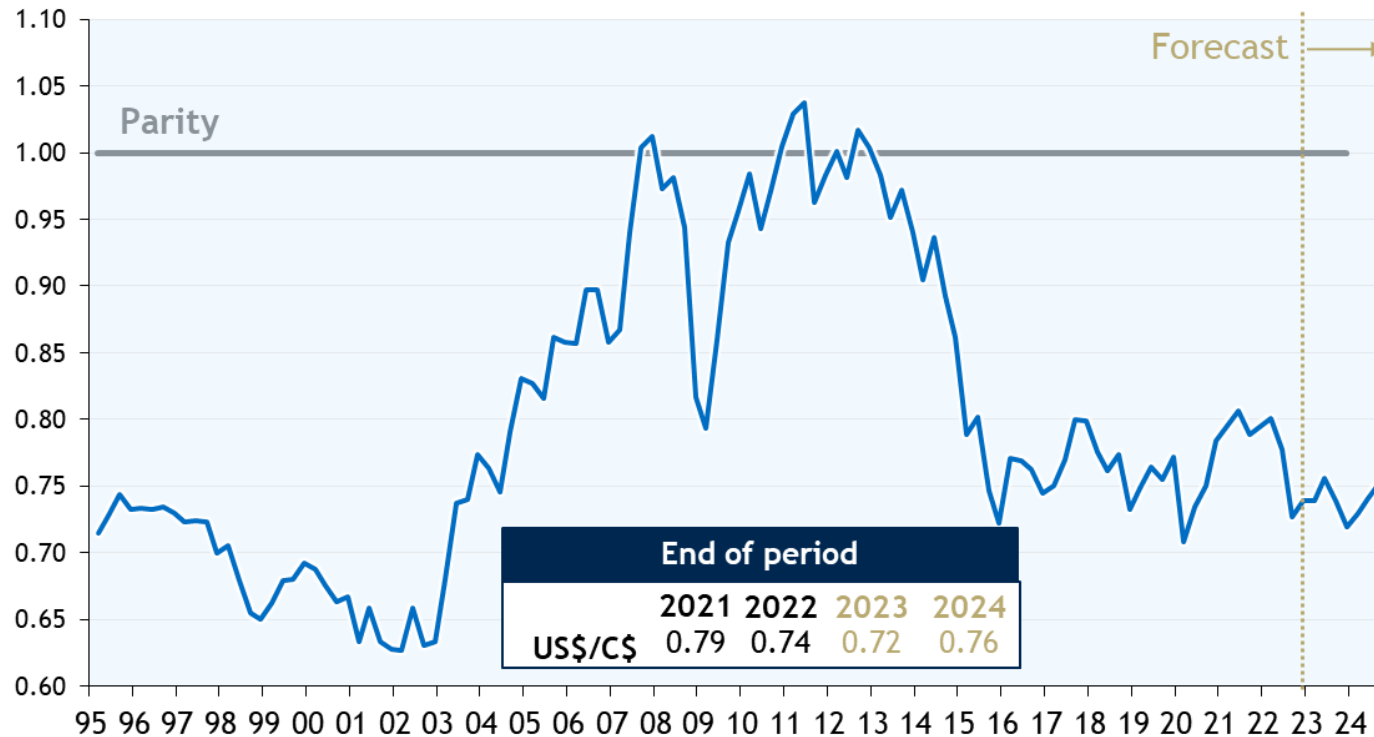


Source: Canadian Real Estate Association, RBC Economics

CAD outlook flattish with BoC and Fed moving (mostly) in tandem

USD strengthening against the CAD

US\$/C\$



Source: Bank of Canada, RBC Economics



For more information please visit:
[rbc.com/economics](https://www.rbc.com/economics)

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From Dreaming to Doorstep Buying U.S. Property



Alain Forget, U.S. National Director Business Development



According to the **National Association of Realtors International Study** from July 2023 Canadians



- Pre-pandemic: Canadians were the second largest group of foreign buyers in the U.S. last year
- Invested \$9.5B* between April 2019 and March 2020, including \$4.75B in Florida
- Represent 18,300 residential purchase transactions for an average price of \$517K

From April 1st 2022 to March 31st 2023, we saw \$6.6 spent in 8,500 purchase transactions in the U.S. as top 3 International Buyers with an average price of \$779K.

Top states: Florida (55%), Arizona (14%), California (14%)

— NAR International Study, July 2023

* All monetary amounts listed are calculated in USD currency.

According to the **National Association of Realtors International Study** from July 2022 Canadians

- Canadians own over \$67B* in real estate assets just in Florida
- 73% of all Canadian transactions made in Florida (55%), Arizona (14%) and CA (4%)

RBC Bank is dedicated to helping Canadians access U.S. financing for south of the border real estate purchases and investments.



* All monetary amounts listed are calculated in USD currency.



REASONS TO BUY

Affordability, Rental Income, and Lifestyle



Earn Rental Income on U.S. Property



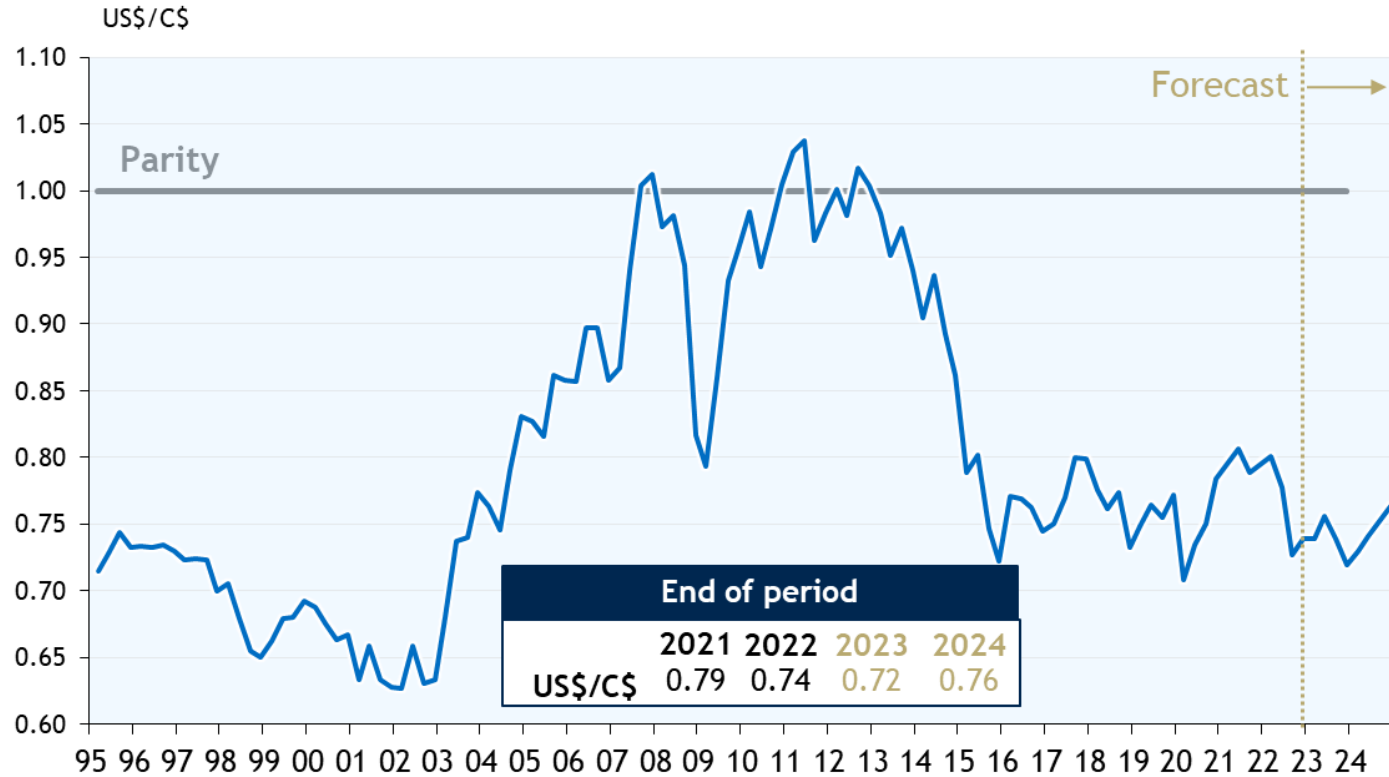
- FL & AZ strong short term/seasonal and long term rental demand
- Paid in U.S. dollars
- No need to exchange funds
- Income can cover mortgage payments, taxes, insurance and fees
- Lifestyle
- Weather
- Change in demographic

REASONS TO BUY

Financing Reduces FX Impact



USD strengthening against the CAD



Source: Bank of Canada, RBC Economics

Why Canadians Should Finance Their U.S. Dream Home

CASH VS. FINANCING FOR A \$500,000* U.S. HOME (Example Savings‡)	
Cash	Financing
\$500,000 USD (Costs Using 2.5% on \$500k)	\$112,500 USD (20% Down Payment + Closing Costs**)
Cash Needed at Closing <i>x 32% CAD to USD Foreign Exchange Rate</i>	
\$660,000 CAD (\$160,000 CAD to USD)	\$148,500 CAD (\$36,000 CAD to USD)
\$124,000 CAD (One-time, Upfront Difference in Exchange Costs)	

* All monetary amounts listed are calculated in USD currency.

‡ Illustrative example for information purposes only, assuming US\$1/C\$0.76. Foreign exchange rates are subject to change at a moment's notice.

** 20% down payment of \$80,000 + approximately \$10,000 in closing costs.



REASONS TO BUY

RBC U.S. HomePlus™ Advantage



Benefits of an RBC Bank Mortgage¹

- We use your Canadian credit history
- We provide financing in all 50 states
- We never charge a foreign national premium
- We never charge a prepayment penalty
- We'll help you close your mortgage in the U.S. or Canada



Mortgages² from RBC Bank

Key Characteristics	Primary or Secondary Home	Investment Property
Pre-approval	Yes	Yes
Down Payment Required	20%	25% or 40%
Property Types	Single family, condo, townhome	Single family, condo, townhome
Loan Terms	3, 5, 7, 10-year mortgage term	3, 5, 7, 10-year mortgage term
Renewals	Lock in for 3, 5, 7, or 10 years – at no cost	Lock in for 3, 5, 7, or 10 years – at no cost
Monthly Payment	Based on a 30-year term	Based on a 30-year term
Refinance	Yes	Yes
Foreign National Premium	None	None

REASONS TO BUY

Affordability – Mortgage Sale⁴



RBC Bank Mortgage¹ Sale



- **\$0 underwriting fee⁴.**
- **Submit your application before October 2024 and save \$825.00!**

WHAT TO EXPECT

Mortgage Process and Timeline



Finance Your U.S. Property in 3 Easy Steps with RBC Bank

Step 1: Mortgage Application	Step 2: Conditional Approval	Step 3: Closing
<ul style="list-style-type: none">▪ Get started with your online mortgage application▪ Your Cross-Border Mortgage Advisor will help you lock your rate for 60 days▪ You'll begin gathering and providing documentation	<ul style="list-style-type: none">▪ Your application is submitted for review▪ You'll receive a conditional approval letter – valid for 60 to 120 days	<ul style="list-style-type: none">▪ Finalize documentation▪ Your closing may take place in the U.S. or Canada depending on the location of your U.S. home▪ May be able to send a Power of Attorney
<p>Mortgage loan processing in the U.S. – from applying through closing – typically takes 40-45 days</p>		



LET'S GET STARTED!

Invest in U.S. Real Estate



Additional Resources and **Getting Pre-Approved!**

- Takes only a few minutes to fill out the online application at [rbcbank.com/preapproval](https://www.rbcbank.com/preapproval)
- We'll let you know how much you qualify for – usually within a business day
- Call **1-866-283-5928** if you want to speak with a dedicated cross-border mortgage advisor
- Visit [rbcbank.com/hpa](https://www.rbcbank.com/hpa)
 - E-Guide at [rbcbank.com/homebuying](https://www.rbcbank.com/homebuying)
- **RBC Bank Home Advisors**





US AND CANADIAN
ATTORNEYS & NOTARIES



TAX, ESTATE PLANNING & OWNERSHIP NEEDS IN THE UNITED STATES

November 09, 2023

SPEAKER:
SHLOMI STEVE LEVY, B.A., LL.B., J.D., TEP

Attorney/Partner
Member of the Quebec Bar, Member of the Law Society
of Ontario & Canadian Legal Counsel

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LEVY SALIS LLP

The comments offered in this presentation are meant to be general in nature and are not intended to provide legal advice regarding any individual situation. Before taking any action involving your individual situation, you should seek legal advice to ensure it is appropriate for your circumstances.

ABOUT THE SPEAKER

SHLOMI STEVE LEVY

B.A., LL.B., J.D., TEP


Partner, Member of the Québec Bar (Barreau du Québec),
Member of the Law Society of Ontario & STEP

Shlomi Steve Levy is a Partner of Levy Salis LLP and is a member of the Quebec Bar, the Law Society of Ontario, the Society of Trust and Estate Practitioners, and the Canadian Bar Association. He was the co-founder of one of the leading cross border tax and estate planning law firms in Canada prior to founding Levy Salis LLP. His practice is dedicated to US and Canadian tax and estate planning for individuals and corporations, Canadians doing business in the United States, US real estate transactions for Canadians, Americans living in Canada, domestic and international trusts, international taxation, corporate law, and cryptocurrency transactions.



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FL, 33021

Tel Aviv, Israel

22 ROTHSCHILD ST.
15TH FLOOR
TEL AVIV, ISRAEL

CANADIANS BUYING US REAL ESTATE

US REAL ESTATE – TERMINOLOGY

Title search	Notice of commencement
Lien search	Special assessments
Open / expired permits	Stamp tax
Estoppel letter	Closing Affidavit

! CLOSING COSTS: WHO PAYS FOR WHICH SPECIFIC CLOSING COSTS?

CANADIANS BUYING US REAL ESTATE

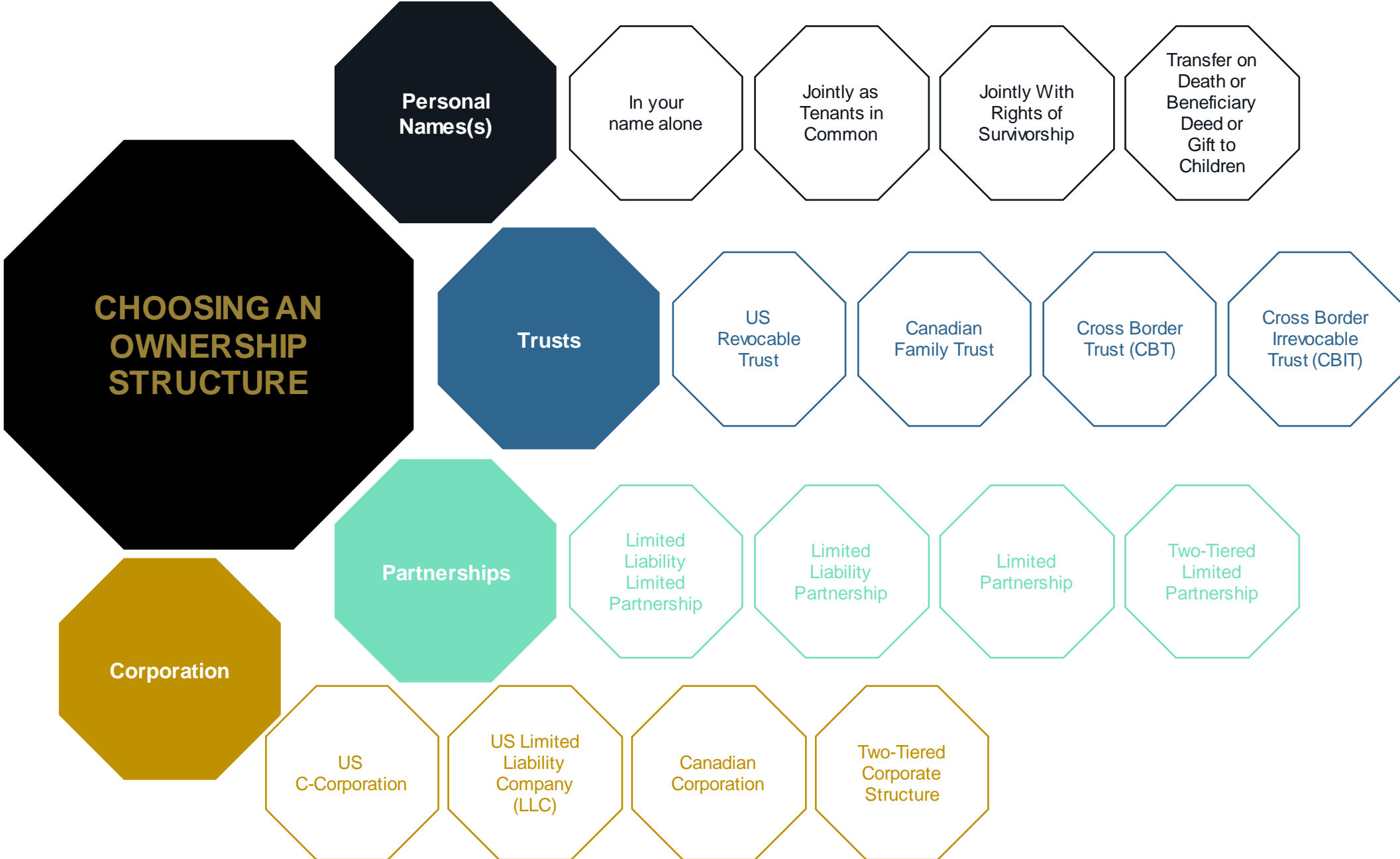
US REAL ESTATE CONSIDERATIONS

OFFER / CONTRACT

- “As Is” vs. With Legal Warranty
- Properly Identifying the Parties
- Inclusions/Exclusions
- Closing Date & Inspection Clause
- Closing/Settlement Costs
- Exit Clause & Additional Terms

ADJUSTMENTS AND LAND TRANSFER TAX

- Fundamental: how to take title



PROBATE

Scenario:

We bought a condominium in Florida for \$300,000 and put the title in my husband's name alone. Everything was fine until he passed away.

After that, I couldn't sell the property because the estate was frozen, probate took over a year and cost between \$10,000 and \$15,000!





CANADIAN TAX AND ESTATE PLANNING

BEWARE! WHEN SIGNING
US ESTATE PLANNING
DOCUMENTS, DO NOT
REVOKE YOUR
CANADIAN ESTATE
PLANNING DOCUMENTS!

WHAT ABOUT ESTATE
PLANNING FOR US
BENEFICIARY CHILDREN
AND GRANDCHILDREN?


A man in a dark suit and white shirt is seen from the back, looking out a large window. The window shows a blurred cityscape with a body of water in the foreground. The lighting is bright and natural, suggesting daytime. The overall mood is contemplative and professional.

INCAPACITY

Scenario:

My parents own a condominium together in Florida but they can't enjoy it anymore since my mom developed dementia.

My dad couldn't sell the property because of my mom's condition and so we had to do a costly and time-consuming Florida guardianship procedure.

A large, stylized blue quotation mark is positioned at the bottom center of the page, partially overlapping the man's suit.

PROTECTION FOR YOUR BENEFICIARIES

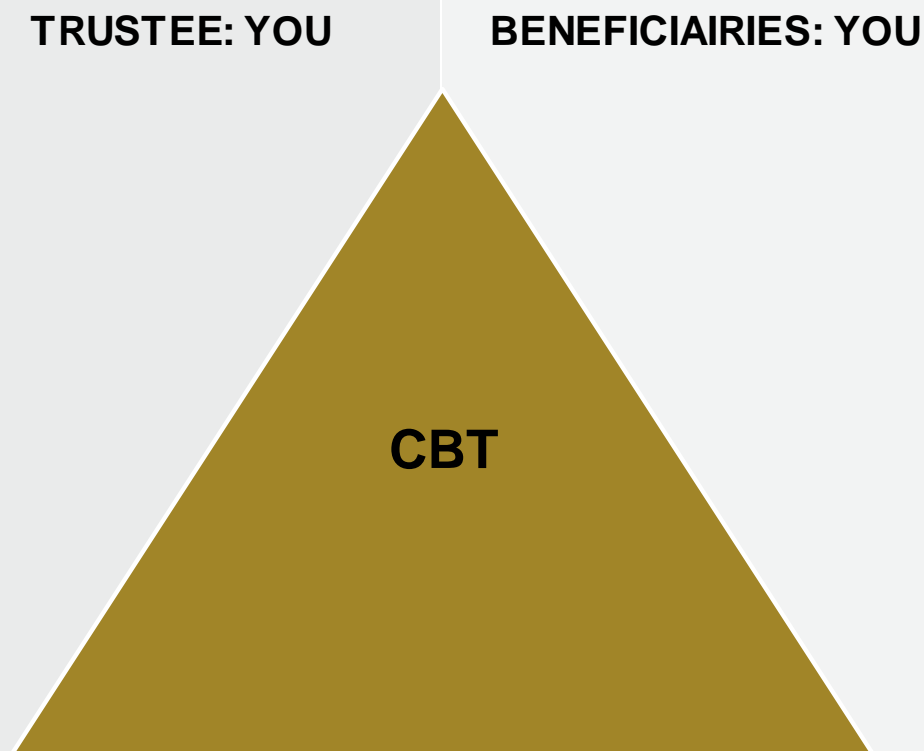
Scenario:

We are worried about what happens to our kids after we pass away. What if my son/daughter inherits my \$300,000 house in Florida and then his/her business goes bankrupt, can his/her creditors seize the house? Also, if his wife divorces him, will she get 50% of the property? What if I want to add my children to the title?



CROSS BORDER TRUST (“CBT”)

- Avoids probate & incapacity issues
- Protects inheritance from divorcing spouses/creditors
- Preserves foreign tax credits (on sale/death)
- Reduces and defers US estate tax (QDOT & discounting)



CORPORATIONS

- Avoids probate & incapacity issues
- Avoids US Estate Tax
- Provides creditor protection
- Shareholder benefit rule
- LLC – **DOUBLE TAXATION PROBLEM**



U.S.
CORP.
100%

CND
CORP.
100%



US CAPITAL GAINS TAX SUMMARY BY OWNERSHIP STRUCTURE

TRUSTS	LIMITED PARTNERSHIPS	PERSONALLY	CORPORATIONS *(US OR CDN)	LLC – DOUBLE TAXATION
			IRS – 21%	IRS – 15 to 20%
IRS – 15 to 20%*	IRS – 15 to 20%*	IRS – 15 to 20%*	FL – 5,5%	CRA – 26%
			Total Tax Liability: 26,5%	Total Tax Liability: 41% to 46%*
*US Federal Rates			*+ Canadian Dividend Tax and US withholding considerations	

CANADIANS SELLING US REAL ESTATE

US & CANADIAN TAX COMPLIANCE

NON-RESIDENT SELLING US REAL ESTATE

- **Must** file a US tax return in the year of sale
- Requires an Individual Tax Identification Number (ITIN)

CANADIANS:

- **Must** report US sale on Canadian tax returns & pay tax on capital gains
- Possible claim for tax credit paid in the US, unless **mismatch**
- Tax on currency gains

US CAPITAL GAINS TAX

- Rate depends whether seller is an individual, corporation, or pass-through entity

CANADIANS SELLING US REAL ESTATE

FOREIGN INVESTMENT IN REAL PROPERTY TAX ACT (FIRPTA)

IF EXCEPTION DOES NOT APPLY:

- Application for a FIRPTA withholding certificate
- Possibility to reduce the withholding to 10%

EXCEPTION TO WITHHOLDING

- Property is sold for \$300,000 USD or less; **and**
- The buyer signs an affidavit

NON-RESIDENT SELLING US PROPERTY: MANDATORY 15% WITHHOLDING ON **GROSS SALE PROCEEDS** & REMITTED TO IRS WITHIN 20 DAYS OF CLOSING

- **Buyer** is responsible for the withholding

SELLING?



Closing Costs \$\$

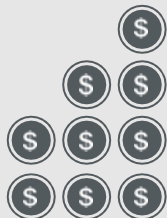


Capital Gains Tax: **US – CDN***

F.W.

FIRPTA Withholding

RENTING?



Income Tax: **US – CDN**



Depreciation



Liability

REFINANCING?



Capital Gains

F.W.

FIRPTA Withholding **0\$**



“Life Style”

* Tax on the exchange rate



US ESTATE TAX FOR CANADIANS

US ESTATE TAX FOR CANADIANS



Does it apply to
Canadians owning
US assets?

Are your US assets > \$60,000
USD?

Is the value of your worldwide
estate >
\$12,920,000 USD



US situs assets

What is in?

What is out?



Worldwide estate

Everything counts!

Specific rules
(joint tenancy, life insurance
policies, etc.)

US ESTATE TAX FOR CANADIANS

If you hold U.S. assets, we recommend that you consult one of our cross border experts to discuss solutions and strategies for U.S. estate tax, probate and other cross-border tax and estate planning issues.

*In order to calculate your exposure, use the calculator below. Please note that the calculator reflects the changes to U.S. estate tax effective January 1, 2023. The calculator is updated annually to reflect annual adjustments to the exemption amount.

levysalis.com/calculators/

	\$100,000	\$1,000,000
	US Taxable Estate Value	Worldwide Taxable Estate Value
Year		2023
Estimated Taxable Amount		\$100,000
Estimated Tax Marginal Rate		30 %
Estimated Estate Tax Amount		\$23,800
Unified Credit Amount		\$511,380
Estimated Estate Tax		\$0

US ESTATE TAX FOR CANADIANS

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levysalis.com/calculators/

	\$950,000	\$20,000,000
	US Taxable Estate Value	Worldwide Taxable Estate Value
Year		2023
Estimated Taxable Amount		\$950,000
Estimated Tax Marginal Rate		39 %
Estimated Estate Tax Amount		\$326,300
Unified Credit Amount		\$242,906
Estimated Estate Tax		\$83,395

“ INVESTMENT PROPERTIES ”

Scenario:

I have been following the US real estate market for a while. I think I can realize a nice gain if I buy a property in the US and rent it out for a number of years. Also, the rental proceeds will be a nice income supplement.

How do I structure this kind of business venture?

How will the income be taxed? How do I limit my liability?

IMMIGRATION QUESTIONS



180

*DAYS IN A
ROLLING YEAR*

IMMIGRATION QUESTIONS



180

***DAYS IN A
ROLLING YEAR***

WHAT IF I WANT
TO STAY PAST
180 DAYS?

IMMIGRATION QUESTIONS



180

*DAYS IN A
ROLLING YEAR*

WHAT IF I WANT
TO STAY PAST
180 DAYS?

**POSSIBLE TO
APPLY TO DO
SO BY FILING**

60

IMMIGRATION QUESTIONS

POSSIBLE TO
APPLY TO DO
SO BY FILING



180

*DAYS IN A
ROLLING YEAR*

Form I-539

IMMIGRATION QUESTIONS

Form I-539



180
*DAYS IN A
ROLLING YEAR*

**MUST FILE BEFORE
180 DAYS ARE UP**

IMMIGRATION QUESTIONS



180
*DAYS IN A
ROLLING YEAR*

MUST FILE BEFORE
180 DAYS ARE UP

NO AUTOMATIC
APPROVAL

182 DAYS
IN THE
CALENDAR
YEAR



00

Day

NO ACTION
REQUIRED

*A typical Snowbird who spends more than 122 days in the US for at least 3 years in a row is likely to meet the SPT.

Therefore, 120 days is used as a guideline for filing Form 8840.

182 DAYS
IN THE
CALENDAR
YEAR



120

Days

FORM 8840

65

**182 DAYS
IN THE
CALENDAR
YEAR**



182
Days

Form 1040NR, Treaty based
positions + Canadian
Health Insurance Concerns!

SPENDING TIME IN THE UNITED STATES

SUBSTANTIAL PRESENCE TEST (SPT)

Canadian snowbirds must navigate the complex rules surrounding the number of days they are allowed to spend in the US. The Levy Salis LLP team frequently guides clients through the variety of issues related to this question so they can make informed decisions about the amount of time they spend stateside.

DAYS SPENT IN THE U.S.*:

YEAR OF 2022

YEAR OF 2021

YEAR OF 2020

VISIT [LEVYSALIS.COM/CALCULATORS/](https://levysalis.com/calculators/) TO SEE IF YOU MEET THE SUBSTANTIAL PRESENCE TEST

*THE NUMBER OF DAYS SHOULD INCLUDE ALL DAYS SPENT IN THE US FROM JANUARY 1 TO DECEMBER 31 OF EACH YEAR.

OUR PROCESS

ANALYZE

RECOMMEND

IMPLEMENT

Disclosures & Disclaimers



Equal Housing Lender. Member FDIC.

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RBC Bank means RBC Bank (Georgia), N.A., a subsidiary of Royal Bank of Canada.

1. Mortgages are subject to approval, including verification of acceptable income, credit worthiness and property valuations. Minimum and maximum property values and maximum loan-to-value ratios apply. Homeowner's insurance is required for all loans and lines of credit and flood insurance is required if the property is located in a Special Flood Hazard area. Escrows may be required on mortgages. There are closing costs associated with mortgage products.

2. 3, 5, 7, or 10-year term refers to the period of time the interest rate is set at the beginning of the loan period which is 30 years (360 months); after the initial fixed rate term, the interest rate will adjust every six (6) months. Example: 3-Year Adjustable Rate Mortgage (ARM) calculation assumes a \$250,000 loan amount, 4.000% interest rate, 4.764% APR, with 20% down payment, amortized over 360 months = \$1,193.54 monthly payment. Example: 5-Year ARM calculation assumes a \$250,000 loan amount, 4.125% interest rate, 4.679% APR, with 20% down payment, amortized over 360 months = \$1,211.62 monthly payment. Example: 7-Year ARM calculation assumes a \$250,000 loan amount, 4.375% interest rate, 4.699% APR, with 20% down payment, amortized over 360 months = \$1,248.21 monthly payment. Example: 10-Year ARM calculation assumes a \$250,000 loan amount, 4.500% interest rate, 4.455% APR, with 20% down payment, amortized over 360 months = \$1,266.71 monthly payment. Rates and payments are subject to increase after initial fixed period of loan. If the down payment is less than 20%, mortgage insurance may be needed on the loan. This could increase the monthly payment and the interest rate. Rates subject to increase after consummation.

3. This company is not affiliated with RBC Bank and RBC Bank is not responsible for the offer provided by this company.

4. To qualify for the \$0 underwriting fee, a full and complete mortgage application must be submitted by January 1, 2022. Mortgages must fund within 120 days of the application date. Offer may be withdrawn or changed at any time without notice. Offer is only available to the following clients; new RBC Bank mortgage/Home Equity Line of Credit (1st or 2nd homes), Investment Properties, and Refinance on a property that is owned free and clear. Additional bank fees and third party fees apply and are paid separately. Mortgage and HELOC offer may be combined: if a client closes on an eligible mortgage and also opens a second lien HELOC with RBC Bank, both products will have a \$0 underwriting fee. That's a savings of \$924 USD (or over \$1,200 CAD). May not be combined with any other special offers.

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