

## **US PROPERTY TAX INFORMATION**

### **US Property Tax Overview for Non-Residents:**

Owners of real estate in the US, who are non-resident there are liable to pay taxes and must apply for a US ITIN number if they do not already hold a Social Security Number (SSN.)

Non-resident aliens must pass one of the two tests: the green card test or the substantial presence test for the calendar year (January 1-December 31) before they are eligible for US Resident status for tax purposes.

Resident aliens are taxed on their worldwide income similar to US citizens. Nonresident aliens are taxed only on their income from sources within the United States and on certain income connected with the conduct of a trade or business in the United States.

### **US Income Taxes:**

A nonresident alien's income that is subject to US income tax must be divided into two categories:

- Income that is effectively connected with a trade or business in the United States, and
- Income that is not effectively connected with a trade or business in the United States

Effectively connected income is taxed at graduated rates with deductions allowed whereas income which is not effectively connected with a trade or business is taxed at a flat 30% rate.

If nonresident alien has income from real property, located in the United States, that he owns, or has an interest in and holds for the production of income, he can choose to treat all income from that property as income, effectively connected with a trade or business in the United States.

### **US Tax Identification Number:**

The Inland Revenue Service (IRS) requires that all non-resident property owners have an Individual Taxation Identification Number (ITIN) where they do not have a Social Security Number (SSN) for taxation purposes.

### **Purchase of US property:**

There are no restrictions on people from foreign countries purchasing property in the United States. Costs for property purchase vary between 3% - 5% of the cost of the property.

### **US Real Estate Taxes / US Property Taxes:**

US Real Estate taxes vary from State to State as each State have their own right to implement whatever rates they deem fair provided they do not interfere with the Federal Government.

Real estate taxes are often imposed on the value of the property. US Property taxes are based on the fair market value of the property. US property tax rates have increased to mirror and exceed similar rates in other countries with some States exceeding 5%. In some States, it is permissible to separate the real estate tax, into two separate taxes-one for the land value and one on the building value.

### **Letting Property in the US:**

Generally, cash or the fair market value of property received for the use of real estate or personal property is taxable as rental income. Taxpayer can generally deduct expenses of renting property from his rental income.

Two methods of taxation:

- cash basis method applies when rental income is counted as income with expenses deducted as they are received
- accrual method applies where income is reported when it is earned rather than when it was received with deductions taken as they happen rather than when they are paid.

**US Capital Gains Tax:**

In the United States, individuals and corporations pay income tax on the net total of all their capital gains just as they do on other sorts of income, but the tax rate for individuals is lower on "long-term capital gains", which are gains on assets that had been held for over one year before being sold.

The tax rate on long-term gains was reduced in 2003 to 15%, or to 5% for individuals in the lowest two income tax brackets. Short-term capital gains are taxed at a higher rate: the ordinary income tax rate. The reduced 15% tax rate on eligible dividends and capital gains, previously scheduled to expire in 2008, has been extended through 2010. In 2011 these reduced tax rates will "sunset", or revert to the rates in effect before 2003, which were generally 20%.

**US Estate and gift taxation:**

US gift tax applies when property is transferred as a gift to a family member, friend or associate.

US Estate tax may apply to somebody's taxable estate at his death. The taxable estate is the gross estate less allowable deductions.

**US Tax Filing Deadline** is April 15th the following year after income was first received.