

Real Estate Investment: Tax Issues

Are you looking to diversify your investment portfolio by investing in real estate? Considering certain tax issues may be helpful in optimizing your long-term returns and to avoid making common investor mistakes.

> **OWNERSHIP**

Real estate investing can be done through personal holdings, by a corporation, a partnership or through a trust.

> **BUSINESS OR PROPERTY INCOME**

For a business, rental income can be business or property income, which could influence your choice of ownership model; it all depends on your situation (more than five full-time employees, advertising, caretaker services, etc.).

> **TAKING A DEDUCTION FOR DEPRECIATION**

The deduction for depreciation allows you to reduce your taxable income and grow the tax that you would have paid grow.

> **DEDUCTION FOR EXPENSES**

You can deduct all current expenses associated with the operation of your building.

> **CONSEQUENCES OF A SALE**

Capital expenditures increase the property's Adjusted Cost Base. If you have taken a deduction for depreciation, you must recuperate the deduction and include 100% of it in your taxes.

> **CONSEQUENCES AT DEATH**

At death, you are considered to have disposed of all your property at its fair market value. Ensure that enough cash will be available to pay any amounts payable at death (e.g., taxes).

HOW TO OPTIMIZE YOUR PARTICULAR SITUATION?

Each situation is unique, and a profitability analysis is required that considers the cost of borrowing. Consult a specialist to properly prepare your investment.

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