

## CONSIDER THE TAX IMPLICATIONS OF MULTIPLE PROPERTIES

By *Ivana Karac*

WINTER HAS COME AND GONE, AND YOU'RE THINKING ABOUT GETTING THE COTTAGE READY FOR THE FIRST LONG WEEKEND CAMPFIRE OF THE SEASON. Or, perhaps, you are just back from your annual winter escape in sunny Florida and getting your gardens in order for the summer.

Being fortunate enough to own multiple homes is wonderful, but have you considered the tax implications for you when you ultimately sell one of these residences?

You may have heard that gains on the sale of homes are tax free in Canada, but there is much more to this generic statement.

Most people choose to use that exemption on their main home but, in doing so, they could be missing out on a tax savings opportunity.

You need to consider which of your residences you should designate as your principal residence when the time comes to sell your home, cottage and/or condo to minimize your tax exposure. The great thing about this designation is that the residence does not have to be the place where you live all the time, so long as you or someone from your household – either spouse or children – lived in it at some time during the year.

So, cottages and vacation properties qualify under this loose definition and often these properties increase in value faster than the family home.



Technically, a couple is entitled to claim a principal residence exemption on a year-by-year basis. This allows you to designate multiple homes as principal residences, but only one home per year. This means you will be paying tax on the gain of one or more of those properties for certain years when you owned multiple properties, but by allocating different years to different properties you can reduce your overall tax bill.

These rules can also be advantageous if you purchased a condo in the U.S. years ago when the exchange rates were more favourable, and are now thinking of selling to profit from the current foreign exchange rates. You may be able to shelter part or all the gain in Canada by designating your condo as a principal residence.

Other factors that can complicate these calculations include divorce, property size, and whether it was ever rented, to name a few. Any of these may put you offside when determining whether principal residence designation can apply.

That's something to think about, perhaps while roasting marshmallows on the fire pit.

**For more information, or for help assessing your anticipated tax liability from ultimate disposition of multiple residences, contact Ivana Karac at 519-746-7220 or**

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