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REAL ESTATE NEWS



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TAX CUTS COULD FINALLY FALL ON OUT OF STATE OWNERS.

What a pleasure it is to open with some good news during these troubled times. As reported by the Sarasota Herald Tribune, snowbirds may yet receive some property tax reductions that have been long overdue. Property taxes will drop by more than \$300 million this year in Southwest Florida, but much of that will go to snowbirds as the recession flips Florida's property tax system and its goal of providing tax relief to residents. Meanwhile, taxes will go up slightly for full-time residents even if cash strapped local governments resist raising tax rates. And if an expected state-mandated increase in tax rates to pay for schools occurs, as it has in past years, taxes on locals might actually increase by a significant amount.

Southwest Florida continues to see the biggest decline in real estate values, according to a new estimate by state economists. Manatee, Sarasota and Charlotte counties will shed a total of \$22 billion in property value from their tax bases this year, a 21 percent decline. After two years of cutting, it will be difficult for some local governments to resist raising tax rates, despite the political fallout. But our County Administrator, Jim Ley, has gone on record as saying "Our general approach is you don't raise property taxes in these tough times". If the county sticks to its word of no tax increases, the tax cuts for a home owned by a part time resident could be impressive.

Per the Herald Tribune, a Bradenton owner of a home worth \$150,000 last year and reappraised at 20 percent less would get a \$565 tax cut. (Twenty percent is the average decline for Manatee County, according to the state estimate.) In unincorporated areas the cuts would be \$521 in Charlotte and \$369 in Sarasota County.

PSYCHOLOGY MATTERS IN THE MARKETS

Confidence is definitely the watchword of the day. Most economists believe the economy won't reverse its downward trajectory until North Americans regain confidence in their financial institutions. It's a shame really, because the Sarasota market presently favors buyers like no other in history. It has everything that you could possibly hope for as a buyer: median prices approaching half of what they were during the boom, an unprecedented selection of homes in every price range and the lowest interest rates on record.

Theoretically, the markets should be percolating with activity. Even though the opportunities to buy have never been better, people are allowing negativity to dictate their next move – which is to sit on the sidelines "and just wait and see what happens."

As reported by real estate trend watchers, the reluctance to buy is ironic. Only 4 short years ago, buyers were incredibly excited about buying – and that was during a sellers market!

Prices were escalating and it was perhaps one of the most difficult times to find value; and yet people were buying like there was no tomorrow. Buyers were afraid of losing out by not buying, even though the advantage was all to the seller. Now a shift has occurred. Fear is still in the driver's seat, but the tables are turned-the fear of paying too much seems to stop most buyers in their tracks. When they should have been afraid of paying too much they weren't: and now that they shouldn't be afraid of paying too much, they are. It is one of the greatest Paradoxical moments of any market: and the herd instinct at its finest.

HOW SHOULD YOU HANDLE INCOME TAX REPORTING ON RENTAL INCOME IF YOU ARE A NON-RESIDENT OF THE U.S.?

This is one of the most common questions we receive from non -residents. There are two alternatives for reporting and paying US income taxes...the individual may choose to not file an income tax return in the US to report the rental income. In this case, 30% of the gross rental income must be remitted to the IRS. If a rental agent handles the rental, the agent must take the responsibility to hold and remit the 30% as rent is collected.

Most non-residents, however, choose the second method. They report the rental income on a US income tax return, Form 1040 NR. They must report the income received, but, unlike the first option, all expenses associated with the property are deductible against the rental income. These expenses include property taxes, mortgage interest, repairs etc. In addition, a calculated amount for depreciation is also deducted. A personal exemption of \$3,500 in 2008 is also allowed. The majority of owners do not have any taxable income after taking into account all of the deductions that are available. No taxable income means no tax to pay. In addition, any excess expenses accumulate and carry forward indefinitely and are available to offset profit on the sale.

The tax year is based on the calendar year and tax returns are due no later than June 15 of the year following the tax year. If not completed by June 15, an extension request can be filed which will extend the filing date until December 15.



Patrick, Joe, Michael & Maureen

If your property is currently listed with another broker, please do not consider this a solicitation

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