

20 questions about the tax on luxury homes

Here's 20 questions about the tax on luxury homes

By the A.M. Costa Rica staff

A news story Monday about the tax on luxury homes that went into effect Oct. 1 has generated lots of questions. Not all of them are answered easily. Here are 20.

1. Is this a tax on Gringos to drive us out of the country.

Nope, everyone with a home worth more than about \$170,000 has to pay the tax. But most Ticos do not know about it either. Stand by to watch the sparks.

2. Where do we pay it?

The Dirección General de Tributación collects the tax. They probably will ask you to deposit it in a local bank like people in business do with the sales tax and others do with the income tax. Banco de Costa Rica and Banco Popular are good bets.

3. Where can I get a form to fill out?

Tributación promises them for this week. But there is an example on line.

4. Is this the same as the municipal tax?

No, this is in addition to the municipal tax. However, the value you report to Tributación probably will come back to haunt you at the municipal level.

5. Are they taxing land?

The original bill only applied a tax to the property right around any home. The final version seems to tax everything that is not agricultural. One reader said everyone should put a big garden in where there is now lawn.

6. Why are they doing this?

The government said it will use the money to clear the slums throughout the county. Some of the money might even go for that. But governments have a way of diverting cash to other things.

7. Is this law constitutional? After all it only taxes people with more expensive homes.

That is up to the Sala IV, but magistrates are politicians, too, so we would bet on constitutionality.

8. Will this affect the sales value of my home?

Yep.

9. How about all those Ticos who have not been paying anything in taxes.

Their day is coming unless they have powerful relatives. The law requires them to compute the replacement value of their dwellings less depreciation.

10. How much is the tax?

See the previous story and also see the adjacent graphic for representative values. The graphic uses the conversion rate of 582 colons to the U.S. dollar, but that relationship can change.

A.M. Costa Rica graphic

Representative taxes on homes under new law

11. How long will the tax last?

The law says 10 years, but don't bet on it ever expiring.

12. My home is owned by a corporation. Does it have to pay the tax?

The responsible party has to register the property and fill out the forms in the name of the corporation.

13. When do we pay?

Three months worth of the luxury tax is due by Jan. 1 along with the form specifying value. The amount for 2010 is due by Jan. 15.

14. Suppose I do not pay?

There are fines and penalties, and they will get you.

15. Do I have to pay a tax on my hotels and all the beautiful grounds and swimming pools we have?

The slum dwellers will be so grateful.

16. Do I have to pay a tax on my home, which is in a beach concession?

Yes. And include the value of the concession.

17. Are the values reported by my neighbors open to public inspection.

We do not know, and the law does not say. It would be a good idea, though.

18. What is value anyway?

The traditional definition is the price that a willing buyer would pay and a willing seller would accept when neither is being compelled. Tributación has chosen to adopt as value the construction costs for a dwelling and the ballpark comparative value of land.

Construction costs even when depreciation is figured in is not the same as value. Someone could build a very expensive white elephant and spend money they never could hope to recover on a sale. But to determine that price would require real training and access to real sale prices.

19. I live in Montana. How do I file the paperwork.

You better get someone here to help you or take a vacation here.

20. What is this story all about? Did I miss something?

You better see the news story Monday. Pronto if you own a home here.

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