

ATENAS TODAY



*Special Extra Edition
December 1, 2009*

Because of our community's vulnerability to the new "Luxury Homes Tax" and its impending deadline of December 31, Atenas Today is publishing this special edition to inform you about one option.

The regular monthly edition of the newsletter will be published later in the month.

ATENAS TODAY is a free English language newsletter for the residents and potential residents of Atenas, Costa Rica. It contains informative articles and creative compositions submitted by our readers, and is distributed via email approximately once a month to over 250 email addresses. To get on the distribution list or to submit material, please send an email to Fred Macdonald at fredmac222@yahoo.com.

Compositions from back issues are archived by category on the Atenas Chamber of Tourism and Commerce website, www.atenascatuca.com. Click on the English version and then Atenas Today on the business page.

Atenas Today Interviews Sam and Roxanne Vodden

*Providers of property evaluation service
for the new "Luxury Homes Tax"*

- AT: How did you become involved in the business of assessing property values?
- Sam: We have owned property in Atenas since 2005. A year ago we moved here full time and are in the process of building up a property man-

agement business. Helping our clients deal with issues like this new tax is what we are about.

AT: Where did you come from?

Roxanne: Ontario, Canada. I was a school teacher and Sam was a professional house inspector.

Sam: In Canada we also worked together as property managers.

AT: Can you summarize for me the issues involved with this new tax?

Sam: By December 31 all property owners in Costa Rica whose property contains constructed facilities worth more than 100,000,000 colones, or about \$175,000, are required to file a property declaration form with the federal government and pay a tax. Failure to do so can result in a penalty of ten times the amount of tax due.

AT: That's a very short time and a very high penalty. Is there a chance this tax will be invalidated by the courts?

Roxanne: There's always that chance. But most Costa Rican lawyers say that it is legal, and at best the December deadline might be extended.

AT: What if you just wait and see? How might you be affected?

Sam: An appraiser from the national tax office, which is called "the Hacienda", might visit your property and declare its value. Then you would be assessed the tax, interest for the time you did not pay, and a fine of ten times the annual tax.

AT: What if you didn't have the money?

Roxanne: When you sold your property the new owner would be liable for the tax and the penalty. Therefore the value of your property would be decreased proportionately.

AT: What if you pay the tax and then in six months the courts invalidate it? Would you get your money back?

Sam: Not likely.

AT: So you have to trade off the cost of the tax against the risk of the penalty. And if you declare your value for the national luxury tax, the chances are your local tax is going to go up as well.

Roxanne: That's true. So the prudent thing to do is find out how much the tax would be, and then decide whether it is worth taking the risk by not paying it. Obviously if the tax is \$10, the thing to do is pay it.

AT: Okay. So how do you determine the amount of your tax?

Sam: Since there are government records of the real prices in real estate transactions, the tax authorities have no way of establishing the true market value of your property. Therefore they rely on formulas that relate to the construction cost of your facilities, and on location maps for valuing your land.

AT: You have to pay a tax on the land as well?

Sam: Only if the construction on your property is valued at more than 100,000,000 colones. Otherwise the land is not included in the luxury tax.

AT: What if your construction is unfinished?

Sam: You do not have to declare the value of unfinished construction.

AT: Okay, so where do I get these formulas and how do I apply them?

Roxanne: This is the problem. The formulas are very complicated. The manual explaining them is 147 pages long, and is in Spanish. Even Costa Rican lawyers are relying on outside experts to advise their clients.

AT: You are just a couple of gringos like the rest of us. What qualifies you to do this job?

Roxanne: We have teamed up with some professional appraisers and engineers in the Atenas town government. They have a lot of experience doing this type of work and will be moonlighting to provide us with the technical expertise.

AT: Who are these people?

Sam: The first one is Mario Ugalde. His regular job is to appraise properties in the Atenas area for establishing the local property tax, which is separate from the new luxury home tax. However, the manual used for evaluations for the local tax is the same one used for the luxury tax. Mario has performed over 200 evaluations using this manual. The second person is Fabian Mendez, who is the chief building inspector in Atenas. Fabian has a degree in civil engineering from a Costa Rican university and has been a technical consultant on many construction projects. Finally we have Fernando Chavez, the friendly face in the town building department who has been helping people obtain building permits and construct homes in Atenas for fourteen years.

AT: That is certainly an impressive group. But by involving town officials aren't you letting the fox into the chicken coop? The higher they value your property, the more taxes the town can collect.

Sam: It is true that the evaluation submitted to the national government (the Hacienda) for the luxury tax will also be available to the town government for computing your local property tax. But the valuation is done by formulas which are based on the details of your construction, and therefore the risk of a conflict of interest problem is minimal.

AT: But right now there has been no valuation of my property other than what was on the original building permit. If I bring in these town officials am I opening myself up for a revaluation and higher local taxes?

Roxanne: If you decide to pay the luxury tax your new valuation is going to go to the town anyway. If you decide not to pay the luxury tax, the valuation document that we give will give you is confidential and will not be available to the town.

AT: Nevertheless, the town assessor will know about my property and can then come and revalue it for raising my local taxes.

Sam: The town has the resources to revalue only a small percentage of the properties in their jurisdiction. They have their own priorities on which properties to visit. If anything your being a client of a moonlighting town official might reduce your chances of being visited. And again, this is an issue only if you decide not to pay the luxury tax.

AT: Okay. But if I hire you and your team to compute my luxury tax, what guarantee do I have that it will be accurate and not overturned by some official assessment later?

Roxanne: We cannot offer you a guarantee. Our role is to act as consultants only. The fact that government officials are helping us does not imply any government endorsement of the results.

Sam: However, the luxury tax law provides for a ten percent leeway in the accuracy of your value declaration. You can be ten percent low and pay no penalty. And if you are more than ten percent low, the penalty is only five times the difference between the tax you paid and the corrected tax, as opposed to ten times the whole tax if you fail to declare at all.

AT: This whole thing presents us foreigners with an unpleasant dilemma. We are living in a culture where the natives seldom pay taxes, and we are being asked to spend money to calculate and pay a tax that may be ignored by most people.

Roxanne: True. What we are offering is a way for you to spend a little money to at least find out what your tax would be. Then you have to decide what to do.

AT: Fair enough. What is your process and what do you charge for your service?

Sam: Our team will come to your property to gather the necessary information. We will take measurements and make notes of the nature of your construction. Then we will enter the information into the government's computer program to calculate the value of your construction. If this value is over 100,000,000 colones, we will add the value of your land and compute your tax.

AT: And the cost for this?

Roxanne: Our basic fee for a house is \$150. If you have other types of construction on the property we add charges according to the following schedule:

- Guest house--\$10 to \$50 (size related)
- Swimming pool--\$10
- Paved driveways--\$10
- Gates--\$10
- Retaining walls--\$10
- Perimeter walls/fences--\$10
- Sidewalks--\$10
- Ranchos--\$10
- Decks--\$10
- Built in barbeques--\$10
- Bodegas--\$10
- Tennis courts--\$10
- Basketball courts--\$10
- Hot tubs--\$10
- Sauna--\$10

Shared roadway on property--\$10
Land (if needed)--\$30

AT: There are many of us who need this done. Can you meet the demand by the December 31 deadline?

Sam: By working as a team we think we can do as many as 20 valuations a week. We will work on a first come first serve basis.

AT: How do I get started?

Roxanne: Call us at 888-5619, or send an email to sr_ppm@hotmail.com. We will set up an appointment to visit you as soon as we can.

AT: GRUMBLE.... Okay, sign me up.

