

Lesson 4 Additional Costs

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There are many additional costs to consider when buying a house. These are one-time costs, not ongoing costs.

Note: A down payment is not considered an additional cost because it is part of the cost of your house.

| | |
|-----------------------------------|----------------------------------|
| utility service hookup charge/fee | land transfer tax |
| appliances | home inspection fee |
| furniture | decorating costs/ renovations |
| moving expenses | immediate repairs |
| property survey | |
| appraisal fee | |
| legal fees | |

Example 1

Corey and Julie want to buy a house for \$210 000. They need to save 10% of the purchase price for a down payment and 4% for closing costs. Determine the total amount they need to save.

$$\$210\,000 \times 0.10 = \$21\,000 \quad \leftarrow \text{down payment}$$

$$\$210\,000 \times 0.04 = 8\,400 \quad \leftarrow \text{closing costs}$$

$$\underline{\quad\quad\quad} \\ \$29\,400 \quad \leftarrow \text{total}$$

Example 2

The Simpsons are purchasing a property valued at \$230 000. As shown in the chart, they have found that for the first \$150 000, the land transfer tax will be a total of \$900. Calculate the land transfer tax due on the amounts in excess of \$200 000.

| Land Transfer Tax Table | | |
|---|----------|-----------------|
| Value of Property | Rate (%) | Tax Amount (\$) |
| On the first <u>\$30 000</u> | 0% | \$0 |
| On the next <u>\$60 000</u> (i.e., \$30 001 to \$90 000) | 0.5% | \$300 |
| On the next <u>\$60 000</u> (i.e., \$90 001 to \$150 000) | 1.0% | \$600 |
| On the next <u>\$50 000</u> (i.e., \$150 001 to \$200 000) | 1.5% | 750 |
| On amounts <u>in excess of \$200 000</u> | 2.0% | <u>\$600</u> |

$(60\,000 \times 0.005)$
 $(60\,000 \times 0.01)$
 $50\,000 \times 0.015$
 $30\,000 \times 0.02$

$230\,000 - 200\,000$
 $= \$30\,000$

$\$2250 \leftarrow$ total land transfer tax

Example 3

Using the given chart, calculate the land transfer tax a homeowner would pay on a house worth \$300 000.

| Value of Property | Rate |
|--|-------------|
| On the first \$30 000 | 0% |
| On the next \$60 000 (i.e., \$30 001 to \$90 000) | 0.5% |
| On the next \$60 000 (i.e., \$90 001 to \$150 000) | 1.0% |
| On the next \$50 000 (i.e., \$150 001 to \$200 000) | 1.5% |
| On amounts <u>in excess of \$200 000</u> | <u>2.0%</u> |

$\$300$
 $\$600$
 $\$750$
 $\$2000$

$300\,000 - 200\,000$
 $100\,000 \times 0.02$

$\$3650 \leftarrow$ total