

I'm buying a house and my parents are co-signing and need to go on title. What are my options?

by: Stacy Senkbeil, Partner

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When parents are being put on the title, there are some pros and cons that must be considered before deciding on whether you will equally own the property or have one party be the smaller interest holder.

Joint Tenancy

This is the ownership option that results in all parties fully owning the entirety of the property. Some key considerations parents and children should look at before selecting this option are:

- Death – If something were to happen to the parents (or the child) then the survivor becomes the sole owner of the property. The paperwork and cost to have the survivorship processed is minimal.
- Capital Gains – Since (usually) the parent will not be residing in this property, they would want to consult with their accountant to confirm that their taxes are completed properly to reflect that the ownership was solely for the purpose of a Bare Trust. There are no Capital Gains payable on your primary residence, but if the parent is also the owner of the property and when the property is sold, they need to ensure that their taxes are completed properly so that they do not jeopardize the Capital Gains Exemption that would otherwise be applicable.
- Future Land Transfer Tax – Sometimes parents are put on the title as a short-term solution and intend to have their names removed once the child is in a position to qualify for the mortgage on their own. When the time comes to transfer the property, the land transfer tax will have to be paid based on the proportionate interest owned by the parent.

For example, if the house is worth \$300,000 at the time of the transfer and the parent and child own the property jointly, \$1,825 will have to be paid in Land Transfer Tax again.

Tenants in Common

This is the ownership option that results in the parties owning separate interests from each other. This means that the parents can own 50/50% with the child, or the split could be 99/1% if they wish (or anywhere in between). Some key considerations of this option are:

- Death – Survivorship rights no longer apply, and the asset would need to be included in the deceased's Probate Application, and this would ensure that they would absolutely have to apply to administer/probate their estate. Probate/Administration is required of most Manitobans and in most situations, but where the parent resides outside of the province, this may be a deterrent because they would also have to apply for Administration in Manitoba as well as their home jurisdiction.
- Capital Gains – Capital gains, if any, would only be applicable on the percentage interest that the parent was assigned.
- Responsibility to Lender – Where the parent is only 1% owner of the property, this does not change the fact that the parent will remain legally bound to the mortgage fully as if they were full owners of the property.
- Future Land Transfer Tax – If the plan is to transfer the property to the child in the future, then there are savings here because you only pay the percentage of land transfer tax that matches your percentage ownership. For example, if the house is worth \$300,000 at the time of the transfer and the parent and child own the property jointly, \$36.50 will have to be paid in Land Transfer Tax when it is transferred.

When purchasing a property with a parent or child, it is important that you go over the ownership options prior to the transfer so that you can make an informed decision and avoid additional costs down the road.

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The Author:

Stacy Senkbeil

Partner

sasenkbeil@mhlaw.ca

204.717.8750