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and treaty elections each year.

Oct. 21, 2021



By Phil Hogan, CPA, CA.

According to recent out of country voting data over 600,000 Americans currently reside in Canada (some estimate the number is closer to 900,000). Whether it's Canadians returning to Canada after residing in the U.S. for a number of years, or

simply Americans retiring to Canada, we continue to see a steady flow of Americans

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1. You'll be filing both Canadian and US income tax returns each year

As an American Citizen or Green Card holder you're required to file US 1040 income tax returns regardless of whether or not you physically live in the US. Therefore, as an American living in Canada you'll be required to file both a Canadian income tax return and a 1040 U.S. income tax return each year after entering Canada.

Even though dual filing would be required, in most cases you won't be subject to double tax as the Canada- U.S. Income Tax Treaty will prevent such an outcome.

2. Additional foreign asset and income disclosures may be required

Both the Canada Revenue Agency (CRA) and the IRS have specific foreign income and asset disclosures that need to be filed if certain thresholds are met. As an American moving to Canada your client will often need to understand these requirements.

The IRS requires that anyone with foreign investment or financial assets that exceed \$10,000 in aggregate (calculated by adding the highest balances in all non-US accounts together) file form 114 (also known as FBAR filings) to report these accounts. This form is filed separately with the department. An additional form 8938, very similar to the FBAR, is required in many other instances. However, the threshold balances for filing form 8938 are higher than form 114.

Canada has similar disclosures for those that hold non-Canadian investment assets with a cost that exceeds \$100,000. Form T1135 reports non-Canadian investment accounts, cash, real estate and other financial assets each year directly to the CRA.

Penalties for late filing of form 114 and the Canadian T1135 are significant and should be reviewed each year to ensure they are filed accurately and on time.

3. You'll want to review your investments before you move to Canada

Clients moving to Canada often have a variety of different investments including

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financially

- Canadian residents with U.S. investments have significant T1135 filing requirements for investments held in a U.S. brokerage account. Consider moving up non-registered U.S. investments to a Canadian investment account to lessen the reporting burden on form T1135.
- Cost basis adjustments are required for non-registered investments when a client moves to Canada from the U.S. Non-registered investment cost basis' are readjusted to FMV to ensure that capital gains accrued before moving to Canada are not incorrectly taxed by the Canadian government when sold.

4. If possible, pay income before you move to Canada

Clients will only be taxable in Canada on their income once they move to Canada and become Canadian tax residents. As such, there is often an opportunity to pay out certain types of income before entering Canada to save on additional Canadian tax. Some examples of amounts that may be considered before moving to Canada include:

- Receiving any employment bonuses due
- Take IRA distributions
- Exercise stock options
- Receive pension payouts

5. Don't jeopardize your U.S. principal residence exemption

Clients will often not be able to sell their principal residence before actually moving to Canada. Although the sale of a U.S. principal residence property will likely not attract additional Canadian tax, ensuring the property is sold shortly after moving to Canada is extremely important.

As most U.S. CPAs are aware clients need to have lived in their principal residence for

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