

BMO Nesbitt Burns: U.S. Citizens Living in the Great White North Face Additional Tax Considerations

- *Personal income tax filing deadline fast approaching in Canada and U.S.*
- *The roughly 1 million Americans living in Canada could owe taxes in both countries*
- *New IRS amnesty policy encourages Americans living in Canada to get caught up*
- *BMO Nesbitt Burns' investment advisors can introduce you to an external cross-border tax advisor*

TORONTO, April 9, 2013 – With personal income tax filing deadlines fast approaching in the United States (April 15, 2013) and Canada (April 30, 2013), BMO Nesbitt Burns reminds the one million American citizens who live in Canada about potential additional tax and reporting considerations they may face regardless of where they call home or how little time they spend in the United States.

“Many American citizens have lived in Canada for most of their lives and consider themselves to be Canadians,” said Linda Leung, Senior Manager, U.S. Tax Planning Wealth Planning Group, BMO Nesbitt Burns. “While this may be true in terms of national pride and culture, their citizenship is a different matter for their income tax filing requirements. Many U.S. citizens living north of the border may not even be aware that, from a tax standpoint, they may need to file income tax returns in both countries.”

The Basics - U.S. Income Tax Filing and Reporting Requirements

Ms. Leung noted that U.S. citizens residing in Canada may have to complete a number of annual reporting forms in both Canada and the U.S., including:

- **U.S. individual income tax return (Form 1040):** Reports worldwide income on an annual basis, and includes foreign tax credits, which can reduce the overall amount of U.S. income tax payable.
- **Canadian income tax return:** For any American who is considered to be a Canadian resident for Canadian income tax purposes.
- **Report of Foreign Bank and Financial Accounts - FBAR (Form TD F 90-22.1):** For any U.S. citizen with a financial interest (or signature authority) in one or more accounts in a foreign country (non-U.S.) and the aggregate value of those accounts exceeds \$10,000 USD.
- **Statement of Specified Foreign Financial Assets (Form 8938):** For U.S. citizens who have foreign accounts/assets with an aggregate value exceeding certain thresholds.
- **Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund (Form 8621):** For those with an interest in a

non-U.S. passive foreign investment company (PFIC) such as some Canadian Mutual Funds

Non-Compliant U.S. Citizens Can Avoid Penalties

Ms. Leung points out that on September 1, 2012, the IRS implemented new procedures providing relief from penalties for U.S. citizens who have lived outside of the U.S. since January 1, 2009 and have not filed US income tax returns during that period. The penalty relief benefits those who were unaware of their U.S. income tax obligations and owe a minimal amount of U.S. income tax.

Additional Tax Considerations

A Canadian resident who is also a U.S. citizen has additional income tax considerations if they own certain Canadian investments.

“For U.S. citizens, income earned in a Canadian tax-sheltered investment vehicle, such as a Tax-Free Savings Account (TFSA) or a Registered Education Savings Plan (RESP), is taxable for U.S. income tax purposes,” said Ms. Leung. “With this in mind, U.S. citizens should think carefully about whether these savings vehicles are right for them.”

Ms. Leung added that for funds in a Registered Retirement Savings Plan/Registered Retirement Income Fund (RRSP/RRIF), an election is available under the Canada/U.S. income tax treaty that allows U.S. citizens to defer their U.S. Federal Income Tax, which avoids double taxation.

“It is very important to estimate your Canadian and U.S. income tax and plan accordingly in order to avoid penalties from either side of the border,” said Ms. Leung. “If you’re unsure about your situation, consult with a tax advisor who is familiar with both Canadian and U.S. income tax rules.”

For more information on tax implications for U.S. citizens living in Canada, visit: http://www.bmo.com/pdf/nesbitt/USCitizensLivingInCanada_Eng%20-%20BMO%20NB.pdf

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