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Smart Investing and
Retirement
for US Citizens in Canada

Presented by Kylie, Shane and Kevin



GOING BEYOND THE NUMBERS

Agenda

- US Citizen Filing Requirements
- PFIC Reporting
- Investment
- Retirement
- What if I haven't been filing?
- Trump's Plan
- Questions

Filing Requirements for US Citizens and Residents

Subject to US tax regardless of where they reside

- Income Taxes
- Social Security
- Gift and Estate Tax
- Excise Tax

US Canadian Income Tax Treaty

- Eliminates Double Taxation
- Reduced Withholding - Interest, Dividends, Pensions
- Provisions for Social Security, OAS, CPP
- Provisions for Self-Employment Tax
- Foreign Tax Credit
- Foreign Income Exclusion
- Estate and Death Tax Provisions



What is a PFIC?

Passive Foreign Investment Company

- Income Test
- Asset Test

PFIC

- What is a PFIC?
 - A non-US corporation that has 75% or more of its gross income consisting of passive income or;
 - 50% or more of the average fair market value of its assets consisting of assets that produce passive income
- Passive income includes, among other things, dividends, interest, rent, royalties and capital gains from the disposition of securities

PFIC

- Form 8621 (*Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund*)

Do I own a PFIC?

Affect Canadian mutual funds held in

- Non-registered accounts
- TFSA
- RESP

Do I have to file Form 8621?

- Were there distributions during the year?
- What is the value of all of your PFICs?

Form **8621** Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund OMB No. 1545-1002
 (Rev. December 2016) Department of the Treasury Internal Revenue Service Attachment Sequence No. 69
 ▶ Information about Form 8621 and its separate instructions is at www.irs.gov/form8621.

Name of shareholder _____ Identifying number (see instructions) _____

Number, street, and room or suite no. (if a P.O. box, see instructions.) _____ Shareholder tax year: calendar year 20____ or other tax year beginning _____, 20____ and ending _____, 20____

City or town, state, and ZIP code or country _____

Check type of shareholder filing the return: Individual Corporation Partnership S Corporation Nongrantor Trust Estate
 Check if any Excepted Specified Foreign Financial Assets are Reported on this Form (see instructions)

Name of passive foreign investment company (PFIC) or qualified electing fund (QEF) _____ Employer identification number (if any) _____

Address (Enter number, street, city or town, and country.) _____ Reference ID number (see instructions) _____

Tax year of PFIC or QEF: calendar year 20____ or other tax year beginning _____, 20____ and ending _____, 20____

Part I Summary of Annual Information (See instructions.)
 Provide the following information with respect to all shares of the PFIC held by the shareholder:

- Description of each class of shares held by the shareholder: _____
 Check if shares jointly owned with spouse.
- Date shares acquired during the taxable year, if applicable: _____
- Number of shares held at the end of the taxable year: _____
- Value of shares held at the end of the taxable year (check the appropriate box, if applicable):
 \$0-\$50,000 \$50,001-\$100,000 \$100,001-\$150,000 \$150,001-\$200,000
 If more than \$200,000, list value: _____
- Type of PFIC and amount of any excess distribution or gain treated as an excess distribution under section 1291, inclusion under section 1293, or inclusion or deduction under section 1296:
 Section 1291 \$ _____
 Section 1293 (Qualified Electing Fund) \$ _____
 Section 1296 (Mark to Market) \$ _____

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Qualified Electing Fund (QEF) Election

- Must make an election for this treatment
- Most advantageous
- On an annual basis, include pro-rata share of the mutual fund's earned income for US tax purposes.

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QEF Election

Form 8621 (Rev. 12-2016)

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Part III **Income From a Qualified Electing Fund (QEF).** All QEF shareholders complete lines 6a through 7c. If you are making Election B, also complete lines 6a through 9c. (See instructions.)

6a	Enter your pro rata share of the ordinary earnings of the QEF	6a	
b	Enter the portion of line 6a that is included in income under section 951 or that may be excluded under section 1293(g)	6b	
c	Subtract line 6b from line 6a. Enter this amount on your tax return as ordinary income	6c	
7a	Enter your pro rata share of the total net capital gain of the QEF	7a	
b	Enter the portion of line 7a that is included in income under section 951 or that may be excluded under section 1293(g)	7b	
c	Subtract line 7b from line 7a. This amount is a net long-term capital gain. Enter this amount in Part II of the Schedule D used for your income tax return. (See instructions.)	7c	

Complete lines 6 and 7 only if you are making a section 1293 election (Election B) for the current tax year.

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PFIC Annual Information Statement

- The first and last days of the PFIC's tax year
- The shareholder's pro rata share of the PFIC's ordinary earnings and net capital gain for the PFIC's tax year
- The amount of cash and fair market value of property distributed or deemed distributed to the shareholder during the PFIC's tax year
- A statement that the PFIC will permit the shareholder to inspect and copy the PFIC's books and records

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Example of PFIC Annual Statement

ASA GOLD AND PRECIOUS METALS LIMITED
400 S. El Camino Real #710
San Mateo, CA 94402

PFIC ANNUAL INFORMATION STATEMENT

1. This statement applies to the taxable year of ASA Gold and Precious Metals Limited (the "Company") that began December 1, 2012, and ended November 30, 2013 (the "Taxable Year").

2. (a) The Company's per day, per share ordinary earnings (as defined in section 1293(c) of the Internal Revenue Code of 1986, as amended, and determined in accordance with Treas. Reg. § 1.1293-1(a)(2)(i)(C)) for the Taxable Year were:

\$0.0000426

(b) The Company's per day, per share net capital gain (as defined in Treas. Reg. § 1.1293-1(a)(2)) for the Taxable Year was:

\$0.00

3. The Company did not distribute any property to you during the Taxable Year. The amount of cash dividends distributed to you during the Taxable Year may be computed with reference to the following table, which shows the cash dividends per Company share paid to its shareholders of record on each record date during the Taxable Year. The amount of cash dividends the Company distributed to you also will be reported on the IRS Form 1099 that you receive with respect to your Company shares.

<u>Record Date</u>	<u>Per Share Dividend</u>
May 16	\$0.03
November 19	\$0.15

4. The Company will permit you to inspect and copy its permanent books of account, records, and other documents it maintains that are necessary to establish that its ordinary earnings and net capital gain enumerated above are computed in accordance with U.S. federal income tax principles and to verify those amounts and your *pro rata* share thereof.

ASA Gold and Precious Metals Limited
By: /s/ Rodney Yee
Title: Chief Operating Officer, Chief Financial Officer and Treasurer
Date: January 24, 2014

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Mark-to-Market Election

- Must make election
- Most advantageous if you cannot make QEF election
- Report all distributions as ordinary income
- Recognize all increases/decreases to the value of the fund as a gain/loss on their holdings as ordinary income

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Mark-to-Market Election

making election B. See instructions		96
Part IV Gain or (Loss) From Mark-to-Market Election (See instructions.)		
10a	Enter the fair market value of your PFIC stock at the end of the tax year	10a
b	Enter your adjusted basis in the stock at the end of the tax year	10b
c	Subtract line 10b from line 10a. If a gain, do not complete lines 11 and 12. Include this amount as ordinary income on your tax return. If a loss, go to line 11	10c
11	Enter any unreversed inclusions (as defined in section 1296(d))	11
12	Enter the loss from line 10c, but only to the extent of unreversed inclusions on line 11. Include this amount as an ordinary loss on your tax return	12
13 If you sold or otherwise disposed of any section 1296 stock (see instructions) during the tax year:		
a	Enter the fair market value of the stock on the date of sale or disposition	13a
b	Enter the adjusted basis of the stock on the date of sale or disposition	13b
c	Subtract line 13b from line 13a. If a gain, do not complete line 14. Include this amount as ordinary income on your tax return. If a loss, go to line 14	13c
14a	Enter any unreversed inclusions (as defined in section 1296(d))	14a
b	Enter the loss from line 13c, but only to the extent of unreversed inclusions on line 14a. Include this amount as an ordinary loss on your tax return. If the loss on line 13c exceeds unreversed inclusions on line 14a, complete line 14c	14b
c	Enter the amount by which the loss on line 13c exceeds unreversed inclusions on line 14a. Include this amount on your tax return according to the rules generally applicable for losses provided elsewhere in the Code and regulations	14c

Note: See instructions in case of multiple sales or dispositions.

Mark-to-Market vs. QEF Election

- Purchased a Canadian mutual fund in 2012 for \$10,000
- No annual dividend income
- Sold for \$15,000 in 2016
- Gain of \$5,000 recognized

Taxation of Mark-to-Market

Year	Gain Allocated	Top Tax Bracket
2012	\$1,000	\$350
2013	\$1,000	\$350
2014	\$1,000	\$396
2015	\$1,000	\$396
2016	\$1,000	\$396
Totals	\$5,000	\$1,888

Taxation of QEF Election

Year	Gain Allocated	Top Tax Bracket
2012	\$0	\$0
2013	\$0	\$0
2014	\$0	\$0
2015	\$0	\$0
2016	\$5,000	\$1,000
Totals	\$5,000	\$1,000

Mark-to-Market vs. QEF Election

- Mark to Market Election Tax: \$1,888
- QEF Election Tax: \$1,000
- This does not account for interest or for the Net Investment Income Tax (NIIT) on investment income of 3.8%

Section 1291 Fund

- No election required
- Default Regime
- Least advantageous

Section 1291 Fund

- Excess distributions taxed pro rata over the shareholder's holding period as ordinary income
- Annual distributions not classified as excess distribution are treated as non-qualified dividends

1291 Distribution

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Part V Distributions From and Dispositions of Stock of a Section 1291 Fund (See instructions.)
 Complete a **separate Part V** for each excess distribution and disposition (see instructions).

15a	Enter your total distributions from the section 1291 fund during the current tax year with respect to the applicable stock. If the holding period of the stock began in the current tax year, see instructions	15a	
b	Enter the total distributions (reduced by the portions of such distributions that were excess distributions but not included in income under section 1291(a)(1)(B)) made by the fund with respect to the applicable stock for each of the 3 years preceding the current tax year (or if shorter, the portion of the shareholder's holding period before the current tax year)	15b	
c	Divide line 15b by 3. (See instructions if the number of preceding tax years is less than 3.)	15c	
d	Multiply line 15c by 125% (1.25)	15d	
e	Subtract line 15d from line 15a. This amount, if more than zero, is the excess distribution with respect to the applicable stock. If there is an excess distribution, complete line 16. If zero or less and you did not dispose of stock during the tax year, do not complete the rest of Part V. See instructions if you received more than one distribution during the current tax year. Also, see instructions for rules for reporting a nonexcess distribution on your income tax return	15e	
f	Enter gain or loss from the disposition of stock of a section 1291 fund or former section 1291 fund. If a gain, complete line 16. If a loss, show it in brackets and do not complete line 16	15f	
16a	If there is a positive amount on line 15e or 15f (or both), attach a statement for each excess distribution and disposition. Show your holding period for each share of stock or block of shares held. Allocate the excess distribution or gain to each day in your holding period. Add all amounts that are allocated to days in each tax year.		
b	Enter the total of the amounts determined in line 16a that are allocable to the current tax year and tax years before the foreign corporation became a PFIC (pre-PFIC years). Enter these amounts on your income tax return as other income	16b	
c	Enter the aggregate increases in tax (before credits) for each tax year in your holding period (other than the current tax year and pre-PFIC years). (See instructions.)	16c	
d	Foreign tax credit. (See instructions.)	16d	
e	Subtract line 16d from line 16c. Enter this amount on your income tax return as "additional tax." (See instructions.)	16e	
f	Determine interest on each net increase in tax determined on line 16e using the rates and methods of section 6621. Enter the aggregate amount of interest here. (See instructions.)	16f	

Form 8621 (Rev. 12-2016)

How much does preparation of Form 8621 cost?

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What if I don't file?

- Unable to make QEF Election
- Suspension of Statute of Limitations on Entire Tax Return
- Risk due to identified accounts in Form 8938 and FinCEN Form 114

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Common PFIC Investments

- Canadian mutual funds
- Exchange Traded Funds (ETFs)
- Proprietary or “pooled” funds
- Real Estate Investment Trusts (REITs)

Non-PFIC Investments

- Stocks
- Bonds and Debentures
- Preferred Shares
- GICs, bank accounts and market linked GICs
- US Mutual Funds and ETFs
- Private Equity

Example

	RRSP	Non-Reg	Total
<u>Cash</u>			
TD Canadian Money Market Fund	50,000	50,000	100,000
Total Cash	<u>50,000</u>	<u>50,000</u>	<u>100,000</u>
<u>Fixed Income</u>			
Mawer Global Bond Fund	150,000	150,000	300,000
CIBC Canadian Real Estate Fund	20,000	20,000	40,000
RBC Canadian Preferred Share Fund	30,000	30,000	60,000
Total Fixed Income	<u>200,000</u>	<u>200,000</u>	<u>400,000</u>
<u>Equities</u>			
Royal Bank of Canada	75,000	75,000	150,000
Bell Canada	50,000	50,000	100,000
Vanguard S&P 500 Index ETF	75,000	75,000	150,000
Vanguard FTSE Developed Europe ETF	50,000	50,000	100,000
Total Equities	<u>250,000</u>	<u>250,000</u>	<u>500,000</u>
Total	<u>500,000</u>	<u>500,000</u>	<u>1,000,000</u>

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Solution # 1

	RRSP	Non-Reg	Total
<u>Cash</u>			
TD Canadian Money Market Fund	100,000	-	100,000
Total Cash	<u>100,000</u>	<u>-</u>	<u>100,000</u>
<u>Fixed Income</u>			
Mawer Global Bond Fund	300,000	-	300,000
CIBC Canadian Real Estate Fund	40,000	-	40,000
RBC Canadian Preferred Share Fund	60,000	-	60,000
Total Fixed Income	<u>400,000</u>	<u>-</u>	<u>400,000</u>
<u>Equities</u>			
Royal Bank of Canada	-	150,000	150,000
Bell Canada	-	100,000	100,000
Powershares S&P 500 Quality Portfolio ETF	-	150,000	150,000
Powershares Europe low volatility ETF	-	100,000	100,000
Total Equities	<u>-</u>	<u>500,000</u>	<u>500,000</u>
Total	<u>500,000</u>	<u>500,000</u>	<u>1,000,000</u>

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Solution # 2

	Non-Reg
Cash	
T-Bill, Bankers Acceptable or Cashable GIC	50,000
Total Cash	<u>50,000</u>
Fixed Income	
Enbridge Inc. 3.16% 11MR21 Debenture	150,000
Life & Banc Split Corp Preferred Share	50,000
Total Fixed Income	<u>200,000</u>
Equities	
Royal Bank of Canada	75,000
Bell Canada	50,000
Berkshire Hathaway	30,000
Johnson & Johnson	45,000
Toyota Motor Corporation ADR	30,000
Royal Dutch Shell ADR	20,000
Total Equities	<u>250,000</u>
Total	<u>500,000</u>

Retirement Planning

- End of Foreign Earned Income Exclusion
- Social Security and Canada Pension
- Residency Issues
- Estate Planning

Tax Issues at Retirement

- Loss of Foreign Earned Income Exclusion
- If US Source income, will likely owe US tax
- Example
 - Married couple \$10,000 US pension; \$100,000 CDN pensions
 - Would owe US \$1,200 in tax; \$2,000 if Married Filing Separate
 - If one spouse not a US citizen, income splitting for Canadian purposes can be a negative for US

Social Security and CPP/OAS

Plan	US Social Security	Canada Pension	Old Age Security
How Determined	Work earnings	Work earnings	Years in Canada
Per Year Amt	Max U\$32k	Max C\$13k	Max C\$7k
Spousal Ben	50% add'n	N/A	Same
Survivor Ben	Higher Amt but not both	Their CPP + 60% of spouse	N/A
Regular Age	66-67	65	65
Early/Late	62/70	60/70	65/70
Other	Claw-back before 65	N/A	Claw-back if income >75k

Other SSA/CPP/OAS Issues

- Eligible for Social Security if less than 40 quarters
- US - Canada Totalization Agreement
- Windfall Elimination Provision - reduces SS
 - if pension from non-covered employment
 - maximum reduction 50% of CPP amount
 - does not apply if 30 years work in USA
- Social Security benefits non-linear
- www.ssa.gov
- www.canada.ca/en/services/benefits/publicpensions.html

When to Take?

- Have option of taking CPP at 60; Soc. Sec. at 62
- Considerations
 - Reduced benefits - substantial 6.6%-8% per year
 - Tax implications for US Social Security
 - Life expectancy
 - Impact on Old Age Security claw-back
 - Other income sources

Residency Issues

- Living part year in both countries
 - potential tax issues
 - OHIP issues
- Moving back to the US
 - comparative tax rates
 - deemed disposition rules
- Expatriation

Estate Planning

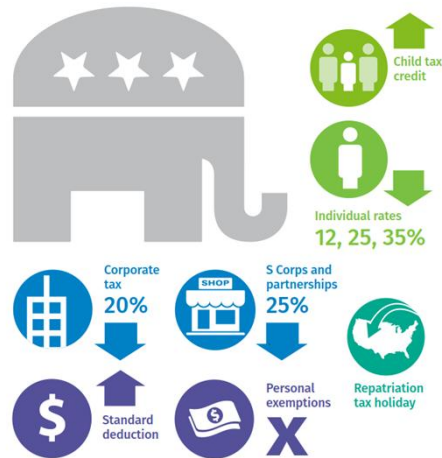
- Complex Area
- Difference between US and Canadian tax at death
- Probate issues
- Need for multiple wills
- Avoiding Joint Title on US property

Streamlined Voluntary Disclosure

- File **three** most recent years of Form 1040 with the IRS
- File **six** most recent years of FinCEN 114 with US Treasury
- US citizen must sign a certification form from the IRS stating that they were not presently living in the US for the past three years that they are filing
- IRS will forgive all prior years of missed returns



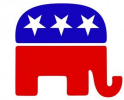
GOP Tax Framework Proposals



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Trump's Plan

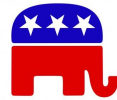


- Lower tax rates
 - 12, 25, 35, and fourth individual rate above 35% for high income taxpayers
- Keep current rates on capital gains and qualified dividends
- Repeal alternative minimum tax (AMT)

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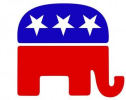
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Trump's Plan



- Increase standard deduction
 - \$12,000 for singles
 - \$24,000 for joint filers
- Eliminate personal exemptions and HOH filing state
- Limit itemized deductions and eliminate all deductions except mortgage interest and charitable contributions

Trump's Plan



- 20% Corporate Rate
- 25% Pass-through tax rate
- Repeal of Federal Estate Tax



Contact Information

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