
US TAX II – PERSONAL TAX ISSUES

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In the wake of US tax reform, many Canadian small business owners are contemplating investments in the United States or relocating to the United States. When does a relocation make sense, and for whom? At the same time, US citizens who do business in Canada must determine whether or not they should become residents of Canada. What are the benefits and costs to these US citizens of gaining or losing Canadian residence?

To answer these questions, we will:

- Compare personal income tax rates in US and Canada for individuals who are tax residents of US or Canada doing business in the other country
 - as a resident versus non-resident
 - some unique cross-border issues arising from change of residency including retirement and pension plans, stock options, bonus compensation.
- Review the following aspects of US tax reform that have resulted in arguably more competitive tax rates for individuals resident in the United States than individuals resident in Canada, including for example:
 - Personal tax rates utilizing corporations, trusts, pass-throughs and hybrid structures;
 - Personal deductions for state and local taxes, mortgage interest; charitable donations.
- Review the potential application of US gift and estate taxes to Canadians becoming domiciled in the United States:
 - discuss when estate tax may become a concern for Canadians who relocate to the US.
 - discuss at a high level some common estate tax planning structures frequently utilized by Canadians in the US that do not work and structures that do work.
- Review Canadian tax consequences to US persons who relocate and die in Canada.
- Consider tax filing obligations and double tax risks for Canadians moving to the US who have interests in Canadian-resident trusts or corporations.
- Consider filing obligations and double tax risks for US residents and US citizens becoming resident in Canada who have interests in US-resident trusts, corporations or hybrid entities.
- Discuss Canadian and US tax residency rules under domestic tax laws and the Canada-US tax treaty.
- Review the potential cost of Canadian departure tax or US exit tax and options to mitigate
 - Identify the steps that must be taken to become or cease to be a resident of Canada or the United States under domestic law and the *Canada-US Tax Treaty*.
 - Identify common pre-departure tax planning opportunities and exit tax.
 - planning opportunities, considerations
 - Identify issues/risks/opportunities where Canadian person departs and then returns to Canada; and vice-versa for a US person.