

## US TAX FILING INFORMATION

### US CITIZENS and GREEN CARD HOLDERS IN OR OUT OF THE US.

#### WORLDWIDE INCOME REPORTING

All US citizens are required to file an annual US tax return.

The United States taxes citizens on their worldwide income, whether or not they live in the US. Form 1040 ( US Individual Income Tax Return) must be filed with the Internal Revenue Service (IRS) by April 15<sup>th</sup>, each year, though those living outside of the US can take advantage of an automatic extension to June 15<sup>th</sup>.

In some cases US citizens resident in Canada have been advised by Canadian accountants that they do not have to report to the IRS because they are living in Canada (or outside the US). In other cases they have been told that not having any US income removed the normal requirement to file Form 1040. Not true.

If you are a US citizen and have not been filing Form 1040 as required, you may be able to take advantage of a six year retroactive amnesty. This brings your status up to date with the IRS, avoiding stiff non-filing penalties if you were otherwise processed.

In most cases, due to the operation of various tax credits and exemptions, very little or no tax becomes payable to the US. But if you have not filed, and do not take advantage of the amnesty program, some credits and exemptions become unavailable. This

creates potential for very large tax liabilities.

Even in cases where there may be no income, filing ensures that the statute of limitation becomes effective after three years. If this statute of limitation is left open, any number of years becomes assessable by the IRS.

#### ARE YOU A US CITIZEN?

If you have been living outside the US for an extended period of time you may be wondering if you are still a US citizen. The question may be even more relevant if you have taken another nationality (Canadian or otherwise). But in only a very few cases do circumstances result in loss of US citizenship -- formal renunciation being the main factor. If you are uncertain about your citizenship, you should contact the State Department, the US embassy, or even a competent immigration lawyer in the US. You are most likely still a US citizen, subject to the tax reporting described here.

## WHAT ELSE MUST BE REPORTED TO THE US?

### REPORTING OF FOREIGN ACCOUNTS ( CANADIAN OR OTHERS) FORM TD 90

Each year a US citizen must report to the US treasury information on bank accounts and/or other foreign accounts for which one has signing authority if at any time during the year the balance in such accounts was \$10,000 US or more. This includes RRSP accounts. There are very stiff penalties for not filing this form.

### ANNUAL REPORTING OF RRSP AND OTHER REGISTERED PENSION ACCOUNTS.

RRSP accounts must also be reported to the IRS. Income earned inside a Canadian RRSP, while not taxable in Canada, is taxable in the US. But such income, fortunately, can be exempted under the Canada-US tax treaty by filing a specific election along with Form 1040. Penalties for not reporting to the US Treasury or with Form 1040 are so punitive they could add up to the total value of one's RRSP in just a few years.

### REPORTING ON NON-US CORPORATIONS.

In some cases, US citizens own shares of a Canadian Corporation or other foreign corporations. Non-US Corporations controlled by US citizens must be reported on Form 5471. (Ownership of 10% of the shares of a foreign corporation is considered a controlling interest.) The purpose of this Form is to prevent the avoidance of US tax by utilizing foreign corporations.

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