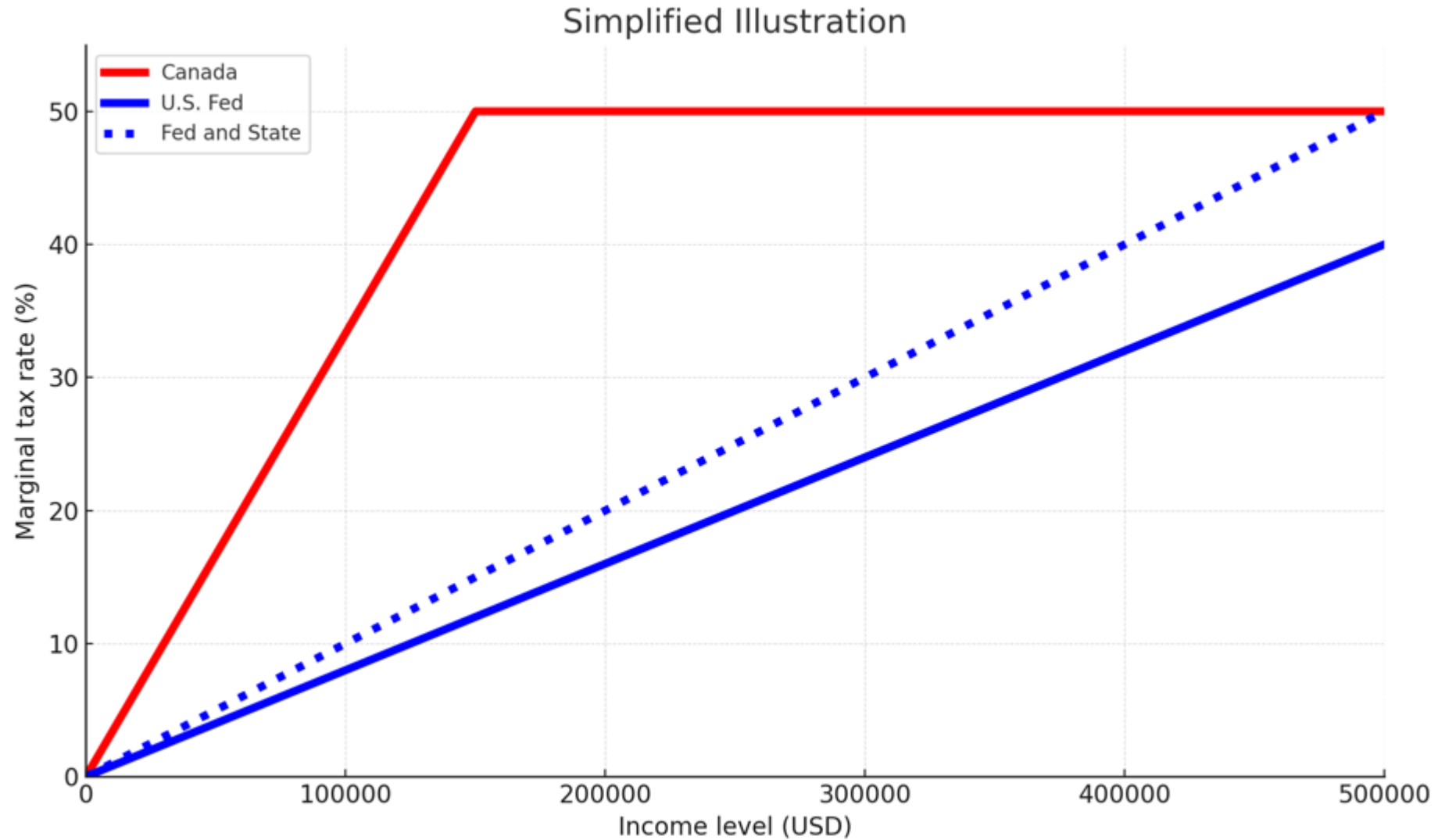


# Selected Cross-Border Tax Issues

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# Marginal Tax Rate Comparison: U.S Vs. Canada



# U.S. Tax Filing and Reporting Obligations

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- U.S. citizens and green card holders are taxed on worldwide income, even after moving to Canada.
- Ongoing filing obligations include Form 1040, FBAR (FinCEN 114), FATCA (Form 8938), and others (e.g., 3520, 5471, 8621).
- Failure to comply can result in significant penalties.
- Canadian investment vehicles like TFSAs and FHSAs often create additional U.S. reporting issues.

# Passive Foreign Investment Companies (PFICs)

- Most Canadian mutual funds, ETFs, and private companies with passive assets are PFICs for U.S. purposes.
- Each PFIC requires Form 8621: complex and time-consuming reporting.
- PFIC income is taxed punitively in the U.S., potentially leading to double taxation.
- RRSPs are exempt, but TFSAs, FHSAs, and non-registered accounts are not.

# Single-Member LLCs

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- Canada treats U.S. LLCs as corporations, not flow-through entities.
- The U.S. treats them as disregarded entities: income is taxed to the member directly.
- This mismatch can create double taxation and limit foreign tax credit availability.
- Distributions may be treated as dividends in Canada with no credit for U.S. tax paid.

# CFCs and Foreign Affiliates

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- U.S. citizens controlling non-U.S. corporations may be subject to Subpart F and GILTI income inclusion.
- Canadian residents controlling non-Canadian corporations face FAPI rules attributing passive income.
- These regimes often cause double taxation and complex cross-border reporting obligations.