

Tax Tip

Week of December 27, 2010

US Estate Taxes

Although the legislation has not yet passed and further changes are possible, Canadians should carefully follow the progress of the Bush tax cuts that Obama administration has recently agreed to extend. A potential major impact on Canadians is the extension of US estate tax. This applies to US property owned at death, regardless of the citizenship or residency of the individual. In 2010, there was no estate tax and if Congress did not take action, the old rates would become effective in 2011. There are various exemptions and tax planning strategies to reduce the tax, but it appears that estates under a million dollars will be exempt of tax. It is important to realize that not only is property located in the US subject to the tax, but the base for tax also includes the shares of US companies, such as Google, Microsoft and IBM.

Thus, a Canadian citizen who has never visited the US, but owns \$2,000,000 of IBM shares may be subject to the tax. Even if one does not have to pay any taxes because of exemptions, an estate return may still have to be filed.

Canadians who have a portfolio of US shares valued in excess of one million dollars should follow the progress of the legislation to determine whether or not they will be impacted.