

## **Tax Tip**

**Week of July 18, 2011**

### **Financial reporting for Americans living in Canada**

The United States taxes individuals on citizenship as well as residence. Many current and former U.S. citizens or green card holders who live in Canada may or may not have filed the appropriate tax forms with the IRS once they left the U.S. Effective in 2013, the U.S. Foreign Account Tax Compliance Act will require Canadian banks to disclose financial transactions in Canada to the IRS.

This is unpopular in Canada, since the U.S. legislation was aimed at tax havens, which Canada is not. Secondly, Canadian banks currently are not required to obtain citizenship information from their customers.

Even if individuals do not owe U.S. tax, there are penalties for failing to file the required tax returns. This new legislation may provide the IRS with sufficient information to identify individuals living in Canada with a U.S. tax liability

Ignorance of U.S. law or the belief that individuals will not suffer consequences if the IRS is unaware of the situation is a foolish tactic. These individuals should work with their tax professionals to file the required forms with the IRS, prior to being identified as being non-compliant by the U.S.

The U.S. is currently providing an amnesty period for individuals that have been non-compliant in the past. Consider taking advantage of this opportunity. The amnesty period is expected to expire in August.