

Investor Insight

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Are You A Snowbird? Keep Good Records!

If you're one of the many Canadians who visits the U.S. for extended periods of time, you should keep good records of the time you spend as a visitor south of the border.

In 2014, Canadian and U.S. border services began exchanging biographic data on travellers entering and exiting at all Canada/U.S. border crossings. Before this time, information was generally only recorded when an individual entered either country.

Although this change does not affect existing tax rules, it is a good reminder for snowbirds to keep accurate records because this data, which impacts an individual's tax position, is now more accurately tracked.

The "substantial presence test" (SPT) determines whether a snowbird may be considered a U.S. resident for tax purposes based on the number of days spent in the U.S. The SPT is calculated by adding the number of days spent in the U.S. in the current year, plus one-third of the number of days spent the year before, plus one-sixth of the number of days spent two years prior. An individual may be considered a resident for tax purposes if the sum is 183 days or more and the individual has spent at least 31 days in the U.S. in the current year.

If an individual meets the SPT, it doesn't necessarily mean that a full U.S. tax return will need to be filed. An individual may have options such as declaring a "closer connection exemption" (claiming a closer connection to Canada than the U.S. by filing IRS Form 8840), or filing a non-resident tax form (IRS Form 1040NR) and treaty-based return disclosure (IRS Form 8833).

Please seek advice from a tax professional familiar with U.S. tax law if you spend a significant amount of time in the U.S.

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