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Chartered Professional Accountant

*"Quality Service Is our Mission Your Business Is our Reward!"*

With over 12 years experience in helping Canadian and US citizens and residents we have expertise in the following areas of US tax preparation and planning

**(a) Taxation of Individuals**

Individuals who are citizens or residents of the U.S. are taxed on their income from all sources, both within and outside of the U.S. Form 1040 (U.S. Individual Income Tax Return) must be filed with the Internal Revenue Service, each year by April 15, for the prior calendar year. Unlike taxation in Canada, form 1040 may be filed either by an individual separately, or by a married couple on a joint basis. Income tax rates are graduated, and different rate schedules are used for returns with different filing status. In this way, income tax rates are adjusted to account for differences in circumstances for persons filing as single, married filing jointly, married filing separately, qualifying widow(er), or as head of household.

**(b) Taxation of Self Employed Persons**

Persons carrying on an unincorporated business as a sole proprietor in the U.S. are subject to income tax on their gross income less allowable deductions attributable to that income, and must file Schedule C with their tax return for each business, each year. Complex rules involving the amount of investment "at risk", the degree of "material participation" in the venture, and the nature of the business are used to determine the extent of and the timing of the deduction of losses from self employment activities.

**(c) Partnerships, Rental Income, Trust and Royalty Income**

Although partnership income is reported on form 1040-Schedule E each partnership operating in the U.S. must file a separate tax return each year on form 1065. The partnership distributes its income, expenses and other items to partners on form K-1.

Rental and royalty income are also disclosed on Schedule E. A U.S. resident who files Schedule E which discloses rental income from sources in Canada or elsewhere must use U.S. rules in the determination of income and expenses, which in many cases can be significantly different from the rules used in Canada.

Whereas losses from real estate rentals are generally deductible against other income in Canada, Canadian rules prohibit the claiming of capital cost allowance (depreciation) to create or increase a loss from real estate. In the U.S., losses may be created by claiming depreciation, (and depreciation calculations are mandatory rather than elective) but the deductibility of the losses may be limited or deferred by the "passive activity loss" rules.

Net income from rental, royalty or other passive (i.e. interest, dividends and investment) activities may give rise to the requirement to pay quarterly installments of federal (and/or state) tax in advance for the next taxation year.

#### d) Capital Gains on Disposition of Real Estate Property in US by Canadians

If you are Canadian citizen and resident and have recently disposed off or are planning to dispose off your real estate property in US the buyer is required to withhold a withholding tax of 15 percent of gross sales proceeds and remit it to IRS. This can be avoided by proper and timely filing of certain forms with IRS. You will also be required file the US tax return to report the gain on disposition of US property. We can help you with the taxation in both sides of the border.

#### We have been helping with preparation of the following US tax forms and returns:

- Federal 1040 or 1040 NR return
- State return
- Fin CEN Form 114 Report of Foreign Bank and Financial Accounts
- Dual status vs. elected resident optimization
- Returns with investment income and capital transactions, on a full year or part year residence basis.

Form	Title
5471	Information Return of U.S People With certain Foreign Controlled Corporations
3520A &3520	Annual Information Return of Foreign Trust (i.e. TFSA & RESP accounts)
8621	Information Return by a Shareholder of a Passive Foreign Investment CO.(PFIC) (i.e. CDN. Mutual fund holdings)
8938	Statement of Specified Foreign Financial Assets
8959	Additional Medicare Tax
8960	Net Investment Income Tax (NIIT)
W-7	Application for IRS Individual Taxpayer Identification Number
SS-4	Application for Employer Identification Number