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# Tax Strategies for Americans Living in Canada 2026

*Practical steps, proven frameworks, and  
expert insights to optimize your taxes  
across two countries*

# Table of Contents

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- **Introduction:** Welcome to Cross-Border Taxation in 2026
- **Chapter 1:** Understanding the Foundations of Cross-Border Taxes
- **Chapter 2:** Your Shield Against Double Taxation — The U.S–Canada Tax Treaty
- **Chapter 3:** What You Must Know to Stay Compliant in 2026
- **Chapter 4:** Optimizing Your Taxes with Advanced Planning
- **Chapter 5:** Securing Your Financial Future Across Borders
- **Chapter 6:** Avoid These Expensive Errors in 2026
- **Chapter 7:** Expats Thriving in Canada
- **Chapter 8:** When (and Why) to Call in the Experts
- **Chapter 9:** Future-Proofing Your Finances as a U.S. Expat
- **Conclusion and Key Takeaways**
- **Call to Action:** Take Charge of Your Cross-Border Taxes Today

# WELCOME

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If you're a U.S. citizen or green card holder living in Canada—or planning the move—you're managing two tax systems that don't always speak the same language. Political and economic shifts have prompted many Americans to consider Canada for stability, proximity to family, and quality of life. With that move comes responsibility: the U.S. taxes citizens on worldwide income, and Canada taxes residents on worldwide income too.

This eBook helps you cut through complexity. You'll learn how to meet your obligations in both countries, avoid double taxation, report foreign accounts, and optimize your financial life across borders. You'll also see real examples, side-by-side comparisons, and practical steps you can take immediately.

## What you'll gain:

- Clarity on what you must file and when
- Tactics to reduce or defer tax legally
- Confidence to organize your finances for 2026 and beyond



# UNDERSTANDING THE FOUNDATIONS OF CROSS-BORDER TAXES

## What the U.S. expects

- Citizenship-based taxation: U.S. citizens and green card holders must file annual U.S. tax returns on worldwide income, regardless of where they live.
- Common U.S. filings for expats:
- Form 1040 (individual income tax return)
  - Schedule B (interest/dividends; foreign accounts disclosure)
  - Schedule C (self-employment) or Schedule E (rental)
  - FBAR (FinCEN 114) for foreign accounts
  - Form 8938 (FATCA) for specified foreign assets, if thresholds apply
  - Additional forms for foreign corporations, partnerships, and trusts if applicable

## What Canada expects

- Residency-based taxation: Canadian residents pay tax on worldwide income.
- Federal and provincial taxes: Combined rates vary by province (e.g., Ontario, British Columbia, Alberta, Quebec). Provincial credits and surtaxes can change your final bill.
- Key returns:
- T1 General (individual return)
  - T-slips: T4 (employment), T5 (investment), T3 (trust), T5008 (securities)
  - Provincial forms (e.g., ON, BC, QC schedules as relevant)

## Your bridge: The U.S.–Canada Tax Treaty

- The treaty coordinates taxing rights to minimize double taxation and clarify which country taxes certain types of income.
- Mechanisms like foreign tax credits and treaty provisions align treatment across borders.

## Case study

- Emily, a U.S. citizen in Toronto, earns CAD 130,000 salary. She files a Canadian return and pays Canadian tax. On her U.S. return, she generally claims a Foreign Tax Credit to offset U.S. tax on that income because Canadian taxes are typically higher at that income level.

## Key takeaways

- You have dual reporting obligations as a U.S. person.
- Canada's federal/provincial structure affects your final tax rate.
- The U.S.–Canada Tax Treaty helps avoid double taxation when used correctly.

# YOUR SHIELD AGAINST DOUBLE TAXATION THE U.S.–CANADA TAX TREATY

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## What the treaty does

- Assigns primary taxing rights on different income types (employment, business profits, pensions, interest, dividends, capital gains).
- Enables relief from double taxation through foreign tax credits (FTC) and treaty tie-breaker rules.
- Coordinates residency status when both countries could claim you as a resident.

## Core provisions for expats

- Employment income: Generally taxed where the work is performed. Short-term assignments may be exempt if certain thresholds are met.
- Business profits: Taxed where a “permanent establishment” (PE) exists. Independent contractors without a PE in Canada may avoid Canadian income tax but must assess PE risk.
- Pensions and retirement: RRSPs can receive deferral recognition on the U.S. side. 401(k)/IRA distributions are typically taxable in the country of residence with credits available.
- Interest and dividends: Reduced withholding rates under the treaty; actual rates depend on residency and type of payer.
- Capital gains: Usually taxed by the country of residence, with special rules for real property and U.S. real property interests.

## Using the Foreign Tax Credit (FTC)

- Claim U.S. FTC on Form 1116 for Canadian tax paid on the same income to reduce U.S. tax liability.
- Basket rules matter: general category vs passive category income must be tracked separately.
- Excess credits can be carried back one year and forward up to ten years.

## FEIE vs FTC

- While the Foreign Earned Income Exclusion (FEIE) is available, many U.S. expats in Canada benefit more from the FTC due to Canada's higher tax rates on employment income, preserving U.S. credits and Social Security benefits interactions.

## Reporting reminders

- Elections and treaty positions often require disclosure on your U.S. return. Keep copies of elections, forms, and account statements.

## Action steps

- Map each income type to its treaty article.
- Track Canadian tax paid by income category for accurate FTC claims.

## WHAT YOU MUST KNOW TO STAY COMPLIANT IN 2026

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### Filing timelines

- U.S. expats: Automatic U.S. filing extension to June 15; interest still accrues from April 15 on taxes owed. Additional extension to October 15 available by filing Form 4868.
- Canada: Individual returns due April 30; June 15 if you or your spouse have self-employment income (balances still due April 30).

### Foreign account reporting

- FBAR (FinCEN 114): Required if the aggregate highest balance of foreign accounts exceeds USD 10,000 at any time in the year. Due April 15 with automatic extension to October 15. No tax, but severe penalties for non-filing.
- FATCA Form 8938: Thresholds vary by filing status and residency; for expats, thresholds are higher (e.g., Single living abroad: >\$200k end-of-year or >\$300k peak during year). Report specified foreign financial assets.

### FBAR vs Form 8938

- FBAR is a Treasury form covering a broad set of financial accounts.
- Form 8938 is an IRS form covering specified foreign financial assets and attaches to your tax return.
- You may need to file both.

## Other common forms

- Form 3520/3520-A: Foreign trusts.
- Form 8621: Passive Foreign Investment Company (PFIC) reporting for many Canadian mutual funds and ETFs.
- Form 5471/8865/8858: Ownership in foreign corporations, partnerships, or disregarded entities.
- Form 8833: To disclose certain treaty-based return positions.

## Common pitfalls

- Misusing FEIE alongside FTC.
- Ignoring PFIC rules on Canadian funds held in non-registered accounts.

## Penalty awareness

- FBAR penalties can be steep; FATCA penalties start at \$10,000 for failure to file.
- Late filing relief: Use IRS Streamlined Filing Compliance Procedures if non-willful failure to file occurred; consult a professional first.

## Action steps

- Build a document checklist: T4/T5/T3, RRSP/RRIF statements, TFSA/RESP info, brokerage annual summaries, CRA Notice of Assessment, foreign account year-end and high balances, exchange rate summaries.
- Set calendar reminders for U.S. and Canadian deadlines.
- Use reputable expat-focused tax software or a cross-border CPA.

# CHAPTER 4

## OPTIMIZING YOUR TAXES WITH ADVANCED PLANNING

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### Timing your move

- Entry/exit planning: Align arrival or departure dates to manage Canadian residency start/end and potential deemed disposition rules.
- Split-year considerations: Canada may treat part of the year as resident; coordinate with U.S. filing to optimize credits.

### FTC vs FEIE: Choosing wisely

- General rule of thumb for U.S. expats in Canada: FTC often beats FEIE because Canadian tax paid on wages typically exceeds U.S. liability, preserving U.S. credits and retirement contribution eligibility.
- Mixed-income households: Consider using FTC for wages and FEIE for specific short-term assignments in lower-tax jurisdictions if facts support it.

### Deductions, credits, and elections

- Child benefits: U.S. Child Tax Credit vs Canadian Canada Child Benefit (CCB) have different eligibility rules.
- Housing and moving: Limited U.S. deductions; Canada allows certain moving expenses if you move for work/school and meet distance tests.
- Tuition and education: U.S. Lifetime Learning Credit vs Canadian tuition transfer/credits—coordinate to avoid waste.

## Capital gains and investments

- Canada taxes capital gains at 50% inclusion; the U.S. taxes 100% of the gain with long/short-term rates. Track adjusted cost basis in USD for U.S. reporting and in CAD for Canadian reporting.
- Superficial loss vs wash sale: Canada's superficial loss rule differs from U.S. wash sale rules—be aware of both in cross-border portfolios.
- Principal residence: Canada's principal residence exemption vs U.S. Section 121 exclusion—plan for cross-border home sales carefully.
- Currency: Foreign exchange fluctuations can create taxable gains/losses for the U.S. on foreign-currency holdings and certain debt.

## Real estate

- Renting your Canadian home: CRA and IRS both expect reporting; consider Section 216 elections in Canada for non-residents receiving Canadian rental income.
- U.S. property sales: FIRPTA withholding may apply; claim treaty relief and credits as appropriate.

## Action steps

- Keep dual-basis records (CAD and USD) for every investment lot.
- Use PFIC-aware investments: Consider US-domiciled ETFs for taxable accounts to avoid PFICs.
- Review employer compensation: Stock options, RSUs, and pensions can create sourcing and reporting complexity—plan before vesting.

## SECURING YOUR FINANCIAL FUTURE ACROSS BORDERS

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### Roth IRAs

- Growth and qualified distributions are tax-free in the US. Canada may attempt to tax growth unless you file a protective treaty election and maintain documentation.
- Avoid contributing to Roth IRAs while a Canadian resident without planning; contributions could trigger Canadian tax complications.

### TFSA's and RESPs

- Not covered by the treaty for U.S. tax deferral. Often treated as PFIC containers. Reporting can be burdensome and costly.
- Strategies:
  - Favor RRSP/RRIF for tax-deferred growth.
  - If you keep a TFSA/RESP, avoid PFIC exposure.

## Investments and PFICs

- Many Canadian mutual funds/ETFs are PFICs for U.S. tax purposes, requiring Form 8621 and punitive default tax if not electing QEF/MTM.
- Consider US-domiciled funds in taxable accounts to avoid PFIC status.

## Estate and inheritance planning

- U.S. estate tax: U.S. citizens have a unified credit and high exemption thresholds; Canadians do not have an estate tax but impose deemed disposition on death.
- Cross-border wills: Have harmonized U.S. and Canadian wills; consider powers of attorney and health directives valid in your province/state.
- Beneficiary designations: Align across RRSPs, RRIFs, 401(k)s, IRAs, and life insurance; be mindful of U.S. “look-through” trust issues.

## Insurance and risk management

- Review disability and life insurance across borders to ensure claims are valid where you live and earn.
- Long-term care planning: Different products and tax treatments in Canada vs the U.S.

## Action steps

- Document treaty elections for Roth and RRSPs.
- Consolidate taxable investing into PFIC-safe vehicles.
- Review beneficiary designations after any move or major life event.

## AVOID THESE EXPENSIVE ERRORS IN 2026

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### Common mistakes

- Skipping FBAR or Form 8938 due to confusion about thresholds.
- Holding Canadian mutual funds in a non-registered account without PFIC planning.
- Assuming TFSA/RESP are “tax-free” for U.S. purposes.
- Mixing FEIE and FTC improperly, reducing the value of credits.
- Missing Canadian departure or arrival tax planning.
- Not tracking cost basis in both CAD and USD.
- Forgetting to file Form 8833 when taking a treaty position.

### Record-keeping habits

- Keep year-end and highest-balance proofs for every foreign account.
- Save brokerage trade confirms with both CAD and USD amounts and exchange rates used.
- Archive CRA and IRS notices, assessments, and correspondence.

## Selecting a qualified advisor

- Look for CPAs/CA/CPA(Canada) with cross-border credentials and PFIC experience.
- Ask about software used, audit support, fee transparency, and how they handle treaty elections.
- Red flags: Guarantees of “zero tax,” dismissing PFIC/FBAR rules, or reluctance to sign returns.

## Action steps

- Run a compliance audit checklist each January.
- If behind on filings, evaluate the IRS Streamlined program promptly.
- Build a shared document folder (secure cloud) for all tax records.

# CHAPTER 7

## AMERICANS THRIVING IN CANADA

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### Healthcare

- Provincial plans (e.g., OHIP, MSP, AHCIP, RAMQ) cover medically necessary care; eligibility often requires a waiting period and residency days.
- Consider private insurance for gaps, especially during waiting periods or when traveling to the US.

### Residency and rights

- Understand immigration status vs tax residency—they differ.
- Track days in/out of Canada and the U.S. to avoid unintended residency or state tax exposure.

### Community and financial life

- Banking: Open accounts that provide cross-border transfers at fair FX rates.
- Credit history: Build Canadian credit while maintaining U.S. credit lines for flexibility.
- Schools and childcare: Explore provincial credits and benefits; align with your tax planning.

### Action steps

- Keep a days-in-country log (app or spreadsheet).
- Register for provincial health care as soon as eligible.
- Join expat groups and professional networks for local insight and referrals.

# CHAPTER 8

## WHEN (AND WHY) TO CALL IN THE EXPERTS

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### When you need help

- You own Canadian mutual funds/ETFs or have a TFSA/RESP.
- You have stock options, RSUs, or a cross-border move mid-year.
- You run a business with customers on both sides of the border.
- You're behind on FBAR/FATCA and need streamlined relief.
- You plan to sell real estate or have a large inheritance.

### Choosing the right professional

- Seek cross-border specialists with verifiable credentials and case experience.
- Confirm they can file both U.S. and Canadian returns and handle forms 8621, 3520/3520-A, 5471/8865.
- Ask for an upfront scope and fee estimate; request a sample deliverable.

## Peace of mind

- A seasoned advisor helps you avoid costly errors, reclaim overpaid taxes with amended returns, and stay ahead of regulatory changes.

## Action steps

- Prepare a one-page financial profile before your consult.
- List all accounts by country, type, and balance; include entity ownerships.
- Clarify your goals: minimize tax, simplify compliance, plan retirement, or prepare for a move.

# CHAPTER 9

## FUTURE-PROOFING YOUR FINANCES AS A U.S. EXPAT

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### What could change

- U.S. and Canadian tax laws evolve. Watch for adjustments to credits, reporting thresholds, and treaty updates that affect expats.
- Provinces may alter surtaxes and credits, shifting after-tax outcomes by location.

### Staying ready

- Build annual planning cycles: Q1 document gathering, Q2 filing, Q3 mid-year planning, Q4 year-end optimization.
- Automate savings and tax set-asides; maintain a cash buffer for unexpected assessments.

### Tools and habits

- Use expat-aware tax software and secure document vaults.
- Subscribe to reputable cross-border tax newsletters.
- Revisit your investment lineup annually for PFIC and currency risk.

### Action steps

- Schedule a yearly cross-border checkup each fall.
- Maintain a “treaty file” with elections, Form 8833 copies, and pension statements.
- Keep an eye on life changes (marriage, children, property) that trigger tax updates.

## Conclusion and Key Takeaways

Managing taxes across two countries is complex, but it's manageable with a clear plan. You now have a framework to meet deadlines, report accounts, leverage the U.S.–Canada tax treaty, and align retirement and investment choices with your long-term goals.

### Key takeaways

- Dual filing is non-negotiable: file in both countries, on time.
- The FTC usually beats FEIE for U.S. expats in Canada—run the numbers each year.
- Document treaty elections for RRSPs and Roths; avoid PFIC traps.
- Track basis in CAD and USD; plan capital gains and real estate moves well in advance.
- When in doubt, engage a cross-border specialist to protect your time and wealth.

### Call to Action:

Take Charge of Your Cross-Border Taxes Today

Stay compliant. Stay confident. Start today with Brij Professional Corporation

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