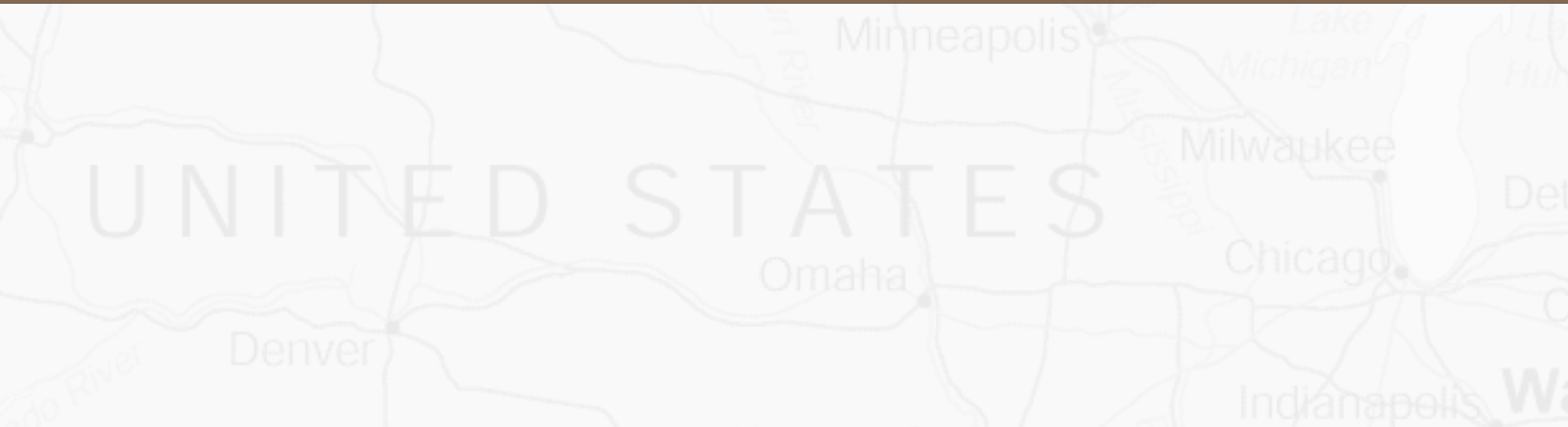




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DON'T TRUST YOUR CROSS-BORDER TAXES TO JUST ANY FIRM



UNITED STATES


We all recognize that significant differences exist between Canadian and U.S. tax laws—but the differences don't stop with the law books. They extend to the professionals preparing tax returns for those who must deal with both countries' tax systems.

In this world of online content saturation and information overload, how does one determine who is a competent cross-border tax preparer? Does a sign on the door or a fancy webpage really signify the proper expertise? Can you assume your existing Canadian tax preparer is knowledgeable and competent when it comes to U.S. taxes? Does simply having a U.S. Certified Public Accountant or Enrolled Agent license indicate they are competent to prepare U.S. tax returns? The answers to these questions may surprise you.

Many clients unwittingly end up trusting their U.S. and Canadian tax returns to a preparer who thinks cross-border taxes is simply an exercise in transposing a Canadian return to a U.S. return and vice versa. Unfortunately, cross-border tax filings are a lot more complicated than simply mirroring one return into the other. And the costs and penalties for mistakes can be high.

Cross-border tax catastrophes can be avoided by carefully selecting a competent tax professional. To assist in your due diligence, we've assembled a list of qualifications and topics that you should bear in mind when choosing a firm to handle your cross-border taxes.





What are the Pitfalls of Using Separate U.S. and Canadian Tax Advisors?

Many clients think it's best to retain a separate tax preparer for each country. Our experience has shown there are pitfalls to hiring a single-country tax advisor. Preparing cross-border returns adequately cannot be done in a "silo."

Below are some of the common pitfalls of engaging non-affiliated, single-country tax advisors:

- You've heard the old saying about the left hand not knowing what the right hand is doing. Sure enough, our experience has shown this is a common problem when multiple firms are engaged to prepare returns for the same client.
- **Higher Costs.** Tax preparation fees are typically higher when separate firms are engaged because you end up paying the overhead of two firms as opposed to one. And there are always additional fees from having two firms communicating with one another.
- **Higher Risk of Errors.** Without a comprehensive analysis of your tax situation, there is a greater chance of deductions being missed, income being sourced incorrectly and major inconsistencies in the tax filings.

- **Missed Deadlines.** Canada and the United States have different filing deadlines. You face a greater risk of missing deadlines when the process of preparing and filing your returns is not properly coordinated. With multiple parties involved in the filing process, it's much harder to ensure that one firm's filing schedule is in sync with the deadlines of the other firm.
- **Inconsistent Tax Strategies.** Having two separate preparers generally results in a failure to coordinate a tax strategy that optimizes your overall cross-border tax filings. The tax strategy employed by one tax advisor may even be fatal to the strategy employed by the other. This leads to a disjointed and incomplete tax plan that can result in higher taxes and fees.
- **Burdensome Communication.** No one likes repeating themselves. When you engage two separate firms, it's not uncommon to spend considerable time communicating with both to ensure they are on the same page. This leads to more stress and higher fees. Using a single firm that handles everything in-house eliminates costly and burdensome cross-communication.
- We all know that inefficiencies arise when there are too many cooks in the kitchen. That metaphor couldn't be more relevant to the process of engaging multiple tax professionals. Between bankers, investment advisors, lawyers and tax professionals, your tax-filing engagement can become a crowded kitchen.

Our advice to those in this specific situation is to avoid holding Canadian ETFs, find a Canadian mutual fund company that offers QEF statements, or own a portfolio of individual securities.

What to Look for in a Qualified Cross-Border Tax Firm

With over 25 years' experience handling U.S. and Canadian taxes, the Cardinal Point Tax Services team understands the qualifications cross-border tax clients should look for in a cross-border tax preparer.

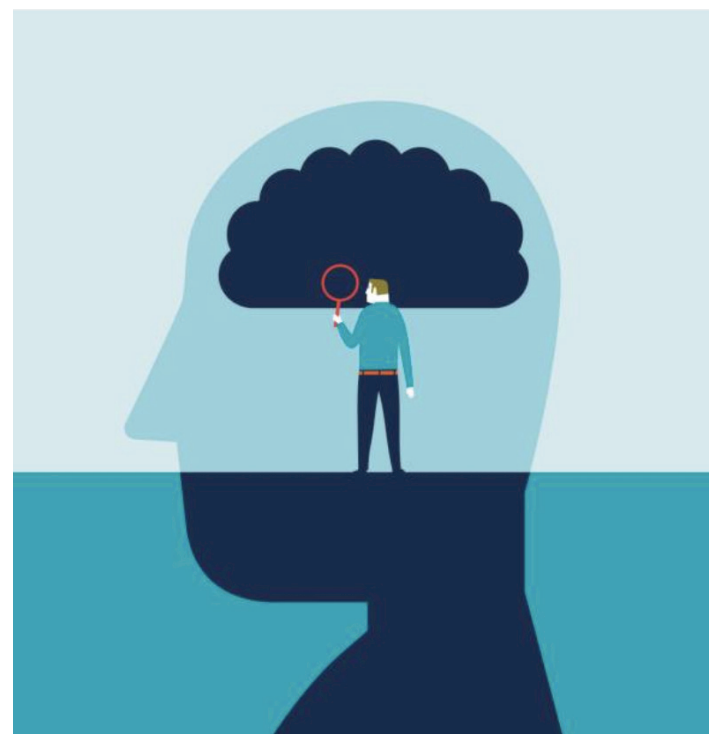
A truly qualified cross-border tax professional should be able to competently provide both Canadian and U.S. tax services. Moreover, providing tax services in both countries should be their primary line of business, not just an add-on service or a newly introduced line of service.

In addition, as part of your due diligence in retaining a cross-border tax professional, the following qualifications should be considered:

- **Canadian and U.S. Credentials.** Our staff consists of dually U.S. and Canadian trained and licensed CPA/CPA, CA and U.S. tax attorneys. This ensures that all clients' U.S. and Canadian tax returns are reviewed and signed by a dually licensed U.S. CPA and Canadian CPA, CA with experience in cross-border tax returns.

While there are very few U.S.-based tax professionals who are licensed to prepare Canadian tax returns, it's not uncommon to locate a Canadian-based tax preparer who is also licensed in the United States. Don't be fooled into thinking someone with a U.S. CPA or Enrolled Agent license is necessarily experienced in cross-border taxes. Unfortunately, the overwhelming majority of Canadian tax professionals holding a U.S. CPA license are licensed in either Delaware or Illinois because these states permit granting a CPA license for simply passing a general exam; they do not require any actual U.S. tax experience.

- **Canadian and U.S. Office Locations.** A truly qualified cross-border tax advisor best serves clients when they are physically located on both sides of the border. With offices in both Los Angeles and Toronto, our firm is able to simultaneously service clients throughout the United States and Canada. Our Canadian and U.S. office locations give us the advantage of being able to foster an interactive relationship with our clients on both sides of the border while also staying abreast of the tax laws in both countries.



- **Canadian and U.S. E-Filing Capabilities.** Cardinal Point is one of the few firms that provide free e-filing of U.S. and Canadian tax returns. In this day and age, filing a return by mail is the equivalent of writing a check at the grocery store checkout. Filing a paper return is cumbersome and time consuming, while e-filing provides fast and accurate processing of your return. Unfortunately, the vast majority of Canadian tax preparers are not allowed by the IRS to e-file U.S. tax returns.

- **Safe and Secure Cross Border Platform.** We make it easy to serve clients across borders. Our secure online client portal lets clients access their tax records from any computer or mobile device. We've created a secure environment for clients to interact with our firm, to provide their tax records and to view and e-sign their tax documents. We also make it easy for clients to remit payment electronically in both the United States and Canada.

- **Experience, Experience, Experience.** Many Canadian tax professionals who claim to be experienced in cross-border taxes have simply taken a one-day course to learn about the basics of U.S. taxes. Our practice focuses exclusively on serving U.S. citizens living in Canada and Canadians dealing with U.S. tax matters. With decades of actual tax experience in both countries, we understand the challenges and issues facing cross-border taxpayers, such as changes in residency, Canadian holding companies and situations where U.S. taxpayers own non-registered Canadian mutual funds and exchange-traded funds (ETFs).
- **Experience with U.S. State Tax Filings.** Most Canadian-based tax preparers have minimal experience filing state tax returns because their clients living in Canada don't require state tax filings. We are the only cross-border tax firm licensed in the State of California. From California taxation of Registered Retirement Savings Plans (RRSPs) to California domicile laws to California community property laws, we are uniquely qualified to assist clients with the complex California tax laws that apply to Canadians. We also regularly represent clients based in New York, Washington, D.C. and Arizona.

- **Don't Be Fooled by Low Prices.** A low quoted fee for cross-border tax preparation is a sure sign that the tax preparer doesn't understand the true complexities of filing cross-border returns and lacks the necessary experience to handle your returns. Most cross-border tax filings are complex, especially if your work, investments or corporate holdings span across the border. We provide clients with a comprehensive intake program to ascertain the necessary scope of services. This allows us to ensure that clients receive a fair and clear quote for services before we commence any work. All fees are communicated to you in advance in order to maintain complete transparency and avoid last-minute surprises and add-ons. Moreover, our fees are competitive compared with large, international cross-border tax firms.
- **Returns Prepared In-House.** We do not outsource our tax preparation. Unlike many cross-border tax firms, all of our work is done in-house by our dedicated staff. We do not sell you the "service" and then outsource it to a third party in another country. To ensure that returns are prepared correctly, and to be as efficient as possible, the same tax professional prepares both your U.S. and Canadian returns.
- **Dedicated Relationship Manager for a Hassle-free Process.** Each client at our firm is assigned their own dedicated relationship manager. Throughout the tax return preparation process, your dedicated relationship manager is there to guide you and make the process as simple and straightforward as possible.

What You Should Discuss With Your Cross-Border Tax Advisor

Now that you know what to look for in a cross-border tax professional, what are some of the topics that professional should be discussing with you? The following questions will help you to evaluate whether any firm or individual you've consulted is truly qualified to serve your needs.

- **PFIC:** Did they discuss the U.S. tax consequences of holding non-registered Canadian mutual funds or ETFs or non-controlling investments in Canadian corporations that qualify as Passive Foreign Investment Corporations (PFIC)?
- **Foreign Personal Holding Company Income:** Did they discuss the U.S. tax consequences of being an owner of a Canadian Controlled Private Corporation (CCPC) with only you as its employee?
- **U.S. Foreign Tax Credit Adjustment:** Did they bring to your attention the foreign tax credit adjustment on your U.S. return if your foreign capital gains or dividends are over USD\$20,000? Did they consider the need to apply the High Tax Kick-Out rules?
- **Income Resourcing:** Did they discuss your income in the context of the key U.S.-Canada sourcing rules under the treaty?
- **Foreign Grantor Trusts:** Did they evaluate your investment holdings to determine whether any qualify as a foreign grantor trust, such as a Registered Education Savings Plan (RESP) or segregated fund?
- **Election to File Jointly:** If you are a dual-status alien in the United States, did they discuss the option to make a 6013 election?

Benefits of Working with Cardinal Point

Partnering with Cardinal Point brings many direct and immediate benefits, the majority of which are discussed above. A partnership with us will streamline your cross-border tax filings and enable you to focus on the bigger issues affecting your life, such as your family, your profession and your life goals.

Contact us today
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