

Taxation

People who spend part of the year in another country but maintain their residence in Canada pay Canadian income taxes as if they had never left. Nonetheless, taxation issues arise if the other country imposes its own taxes. If you spend your winters in a country that has a tax treaty with Canada, such as the United States or Mexico, you are protected from double taxation, even though you may have to file tax returns in both countries. If you are spending part of each year in a non-treaty country, you should do your own research to find out what your tax situation is. The principal question is whether, as a retiree, your Canadian-source pension and investment income will be taxed. Some countries impose taxes on income from the rental of your home in the off-season.

You can obtain a list of tax treaty countries by calling Revenue Canada at **1-800-461-9999** (in Canada) or **(613) 952-3741**, or by consulting Revenue Canada's Web site (<http://www.rc.gc.ca>). A helpful guide for Canadian "snowbirds" in the United States, entitled *Canadian Residents Going Down South*, is available from Revenue Canada, and can be

found on-line (<http://www.rc.gc.ca/E/pub/tg/p151ed/p151ed.html/>).

United States Tax Returns

The U.S. tax situation is worthy of special mention because parts of the United States are so popular as destinations for Canadian "snowbirds." Under certain circumstances, Canadian residents who spend part of the year in the United States may have to file U.S. tax returns. People who spend more than 30 days in the United States in a calendar year, and do not have the right of permanent residence (sometimes called a "green card"), are considered "aliens." An alien may be classified as resident or non-resident. In general, non-resident aliens are required to pay tax only on certain U.S.-source income. Resident aliens are liable for tax on their worldwide income.

Regardless of the protection that the Canada–United States tax treaty provides, it is important for you to know whether you are considered resident or non-resident by the U.S. Internal Revenue Service (IRS). This is determined according to a calculation known as the "substantial presence test," which is based on a weighted average of