

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 the number

of days you spend in the United States over a three-year period.

You can apply for an exemption from the substantial presence test by demonstrating that you maintain a more substantial connection to another country. If you are a permanent resident of Canada and have family and economic ties at home, you should be able to qualify. If you wish to claim this exemption, you must file an IRS Form 8840, *Closer Connection Exception Statement*, before the end of June each year; otherwise, you lose the right to claim this exemption. If you qualify, you may remain in the United States for up to 182 days each year without becoming a resident alien.

If you become a resident alien, you must file a U.S. tax return; if you are a non-resident alien, you must file a tax return only if you have income from certain U.S. sources. The most common U.S. income source for snowbirds is the off-season rental of their southern homes. If you have this type of income, it is considered not connected with your presence in the United States and is taxed at a flat 30 percent of the gross return. If you dispose of U.S. real estate, it is subject to capital gains tax.

Assess Your Reasons for Leaving

Are you ready to live in
a different culture?