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# FATCA Puts Canada and Costa Rica in the IRS Pockets

By Jaime Lopez – March 6, 2014


Source: Hockey Canada

As Canadian snowbirds and visitors in Costa Rica were following the performance of their compatriot athletes at the 2014 Winter Olympics in Sochi, their Finance and National Revenue Ministers announced that an intergovernmental agreement with the United States had been reached on the Foreign Account Tax Compliance Act (FATCA) of 2010. What this means for U.S. taxpayers is that the long arm of the Internal Revenue Service (IRS) can now reach them in Canada and Costa Rica.

The Winter Olympics were closely followed by many Canadians in Guanacaste, a province that has the potential to become the next Florida in terms of seasonal residents escaping the northern chills. The ice hockey gold medal victories by both men's and women's national teams were closely followed at various bars and hotels in the beaches of Costa Rica's gold coast, which is a top destination for Canadians thanks to non-stop flights arriving at the Daniel Oduber Quiros International Airport (LIR), which is partly owned by Canadian investors. As more travelers demand non-stop flights from airports in Calgary, Edmonton and Vancouver, Canadians could soon outnumber U.S. visitors in Guanacaste.

While all Canadians were proud of their winter athletes and the medals they brought home from Russia, the same cannot be said of the FATCA. There was some hope that the Cabinet of Prime Minister Stephen Harper would do their best to exercise sovereignty -unlike Costa Rica, where government regulators essentially told U.S. officials "great! When do we start?" when they came knocking with FATCA.

Writing for Forbes, Robert W. Wood cleverly commented on Canada's adoption of FATCA:

*Canada Defeats U.S. In Hockey & Gold Tally, But Not At FATCA*

> *With gold medal wins in both men's and women's hockey, Canada is riding high. In fact, Canada ranked third in total golds, behind only Russia and Norway. And that put Canada ahead of the U.S. in the top category, 10 golds to 9. Beating the U.S. is big medicine since it's usually the other way around.*

> *The two nations inked a tax-information sharing agreement, just one of 22 intergovernmental agreements (IGAs) the U.S. has collected so far to crack down on tax evasion.*

Theo Caldwell of The Hill was more critical:

> *As of this past week, the Canada Revenue Agency works for the Internal Revenue Service.*
>
> *starting Canada Day (July 1), Canadian banks and other financial institutions will be required to comb through client accounts containing $50,000 or more to determine if they are "US Reportable."*
>
> *Notwithstanding that Canada's leaders have subjected their citizens to the most rapacious and malevolent tax department in the world in the form of the IRS, they have committed a craven surrender of national sovereignty.*

The Costa Rica Star has published various updates on FATCA and FBAR, the two IRS internal reporting schemes that affect U.S. taxpayers, who do not necessarily have to be U.S. citizens in order to be subject to this matter.

It is important to note that while the filing requirement for FATCA starts at $50,000, FBAR compliance starts at $10,000. There are numerous provisions, caveats, exemptions, and other factors to consider on FATCA and FBAR, and for this reason U.S. taxpayers who have bank accounts in Costa Rica or Canada should seek advice from legal or financial professionals.