



Robert W. Wood

THE TAX LAWYER

TAXES | 2/07/2014

Canada Signs U.S. FATCA Deal, IRS To Get Data

Canadians often feel slighted by their own government when it comes to the big Washington machine down south. It's about to get worse, now that the two nations [inked a tax-information sharing agreement](#). The broad deal is [one of 22 intergovernmental agreements](#) (so-called IGAs) the U.S. has signed to [crack down on tax evasion](#).

FATCA is the U.S. law that requires banks everywhere to pony up information on Americans or face serious sanctions. The sanctions are so bad that virtually every institution or every nation seems to be striking a deal. Indeed, it is not exaggeration to say that banks and countries everywhere are scrambling, trying to appease the U.S. taxing authorities in ways that are not too intrusive.

In Canada's case, the broad agreement calls for the Canadian tax authorities to serve as a buffer between the IRS and Canadian banks. That is one of the shrewder features of FATCA. Rather than mandating that Canadian banks hand over account data *directly* to the IRS, the Canadian institutions will give the date to their own [Canada Revenue Agency](#).



(Photo credit: alexindigo)

That would mean data on accounts held by U.S. depositors holding more than \$50,000. Once the Canada Revenue Agency has the dirt it can hand it over under the existing treaties between the two nations. There are said to be over 1 million U.S. persons in Canada, many of whom may not realize they are still American. Moreover, even if they do, they may not be doing the dual tax filings the IRS expects.

It's no secret that many dual Canadian and U.S. citizens feel caught in the crosshairs of the IRS war on offshore accounts. Many Canadians don't exactly consider Canada offshore. And given Canada's high tax rates, many dual citizens don't ever worry about taxes in the U.S.

But they must still file. And that generally means filing FBARs too. Canadians who remain U.S. citizens are supposed to be doing dual filings and many now worry that their U.S. pedigree will come out in the wash.

The new agreement makes that reality closer. Officials in Canada have had to tread the delicate line between service to their own citizens, concern for the financial health and burdens placed on Canada's financial institutions, while at the same time trying to address the inevitable cooperation with the U.S. government that has characterized the world response to FATCA.

In some ways, the newly minted agreement between the countries has small victories for Canada. In fact, the deal is said to exempt some small financial institutions. More important, certain registered savings vehicles such as Canadian registered retirement savings plans, long a bone of contention for many dual citizens who are dealing with the IRS, are exempted.

FATCA's timeline has been extended several times, and it's possible more extensions will be offered. For now, though, the start date is July 1, 2014. That is when Canadian banks will collect information on the people the IRS sees as wayward Americans. The Canadian authorities are to start handing over the data to the IRS in 2015.

You can reach me at Wood@WoodLLP.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.