

**Severing Canadian Tax Ties** – At the time you move to the US permanently, it is in your best interest to sever your tax ties with Canada so that you are a tax resident of only one country (simplify life). CRA does not look at any particular item in determining residency but rather a pattern or group of indicators to ensure you have sufficiently moved your community of interest out of Canada. In order to sever your ties with Canada, consider the following long, but not inclusive list:

- **Provincial Health Care** – When you have secured medical coverage in the US, mail your provincial health care card back to them (along with the sample letter provided) informing them that you have left for the US and are no longer a resident of Canada.
- **Driver's License** – Apply for a state driver's license as soon as possible. Once you have obtained a US driver's license (show them a valid driver's license), mail your provincial driver's license back to them along with the letter provided informing them that you have left for the US & are no longer a resident of Canada.
- **Canadian Home** - To ensure that CRA does not attempt to classify you as a Canadian resident for tax purposes, it is best if your Canadian home is sold before or soon after becoming US residents. Alternatively, consider a long-term lease to someone not related to you. You should not live for extended periods of time in this home until a year or so has passed after your move to the US. Short visits to see family, friends or conduct business in Canada should be fine.
- **Cell Phone/Email** – Many Canadians decide to keep their Canadian cell phone plan and email address) because of the convenience it offers, particularly when moving. However, this can be considered a tax tie so we recommend you establish a US cell phone presence and get a US based email address.
- **Memberships** – Be sure to cancel all memberships with any churches, clubs, professional associations, etc. Again, inform them that you are relocating to the US permanently & to refund any unused membership dues. You can retain membership of any professional organization on the basis that you are required to perform duties abroad without significantly impacting non-residency status. However, you should arrange for the membership status to be designated “non-resident,” if possible. Establish these relationships in the US as applicable.
- **Subscriptions** – Be sure to cancel all magazine, newspaper, etc. subscriptions & terminate any safety deposit boxes where possible and re-establish them up in the US where possible.
- **Business/Professional Relationships** – It is best if you can move as many of your business and professional relationships to the US as possible. For example, transfer your current property/casualty policies to an agency in the US, establish banking/investment relationships in the US, establish a US-based estate plan with a US attorney, etc.
- **Personal Items** – Be sure to take as much of your valuable personal property, collectibles, etc. with you when you cross into the US or shortly thereafter. Sell, give or dispose of as

many personal possessions not accompanying you abroad. Try not to store many of these items in Canada for any extended period of time because the maintenance of personal property in Canada may be an indication that residency was not terminated (see customs planning section for more details).

- **Consolidate** - Consolidate your bank accounts by closing all unnecessary accounts and transferring all or a substantial portion of your funds to a bank account in the US. Once established in the US and all cheques have cleared against the Canadian accounts, transfer the balances and close all Canadian accounts except those used for convenience and business purposes. Close your Canadian brokerage accounts and transfer the investments to a US account or liquidate if necessary.
- **Credit Cards** - Cancel your credit cards with Canadian financial institutions and obtain cards with US institutions.
- **Mail** – Submit a formal address change to Canada Post to have all of your mail forwarded to your US address. Notify your circle of influence that you have a new address in the US (see notification below)
- **Documentation** – Establish and maintain a personal file outlining your efforts to cease residency from Canada. The determination of residency status is not straightforward and although you may have a strong fact pattern, CRA can always assert that individual facts and circumstances do not support the contention that you have ceased residency from Canada. A personal file containing your relevant information may be vital in demonstrating to CRA that you have sufficiently severed your ties with Canada. *CRA Form NR73 – Determination of Residency Status* is the key questionnaire used to establish an individual's residency status. You can review this form online to determine if anything else applies to your situation in severing your ties with Canada. We do not recommend you submit this form to CRA on a voluntary basis unless specifically requested to do so and proper counsel is sought beforehand because this form is intentionally tricky. Once submitted and rejected, it can be difficult to change your filing position in Canada.
- **Notification** – When you exit Canada, immediately notify, in writing, all Canadian banks, trust companies, brokerage firms, life insurance companies, mutual fund companies and any other financial institutions with whom you have an account (see Word document provided for your convenience). In your letter, tell them your new address and that you are now non-residents of Canada subject to the non-resident withholding tax as set by the Canada/US Tax Treaty or Income Tax Act until the accounts are closed. Currently, there is no withholding on non-RRSP interest, 15% on dividends and pensions and 0% on CPP/OAS. Per the Canada Income Tax Act, there is a default 25% withholding on lump sum LIRA and RRSP withdrawals (but no withholding on any interest or dividends paid inside the RRSP or LIRA). Be sure to keep copies of your letters as proof of notification in the event these institutions do not withhold the correct amounts.