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IRS Relief To Canadian Dual Citizens



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Many U.S. taxpayers find the IRS focus on reporting worldwide income and [FBARs](#) rigid. U.S. expatriates worldwide may be miffed. See [Expats Call For FATCA Repeal](#). But dual citizens of the U.S. and Canada seem positively outraged. See [Oh Canada! Hating FBARs And FATCA](#).

Canadians are our next door neighbors, enjoying a good relationship with the U.S. whether traveling on a U.S. or

Canadian passport. But for whatever reason, many dual nationals simply reported and paid tax in Canada and didn't bother to file U.S. tax returns. Although there was considerable taxpayer naïveté, there's no doubt U.S. and Canadian tax advisers had something to do with it.

With high Canadian tax rates, some thought it wasn't worth the effort to file U.S. tax returns claiming foreign tax credits or treaty benefits with (hopefully) no U.S. tax owing. Many not filing U.S. tax returns didn't bother to file—much less even know about—[FBARs](#). Such a state of affairs might not have been noticed in the old days, but not today. See [Primer For First Time FBAR Filers](#).

Today, many Canadians with U.S. citizenship are noncompliant and frightened. Although there have been complaints about the IRS [2009](#) and [2011](#) voluntary disclosure programs, dual U.S.-Canadian citizens

may have an especially appealing case. Fortunately, the IRS is recognizing it in view of the surprising degree of noncompliance.

The IRS expects to issue guidance to minimize penalties on dual U.S.-Canadian citizens residing in Canada who were unaware of their obligations to file U.S. tax returns and [FBARs](#). As reported in [Canada's Globe and Mail](#), U.S. Ambassador to Canada David Jacobson acknowledged that many dual citizens didn't realize they still had to file U.S. tax returns and FBARs, noting that the IRS will announce guidance soon. Although details of the relief haven't been released, these points are likely:

- No penalties for failure to file if a dual citizen living in Canada files a U.S. tax return late and owes no taxes.
- Those who were unaware of FBAR filing requirements can file previous reports and an explanation why they are late. No penalty will be imposed if the IRS finds reasonable cause.
- Those who took part in the IRS's [2009](#) and [2011](#) voluntary disclosure programs can get back penalties they paid.

Questions Remain. It isn't year clear how many years of back taxes will be covered or what will happen to people owing small amounts of tax. Still, Canadian Finance Minister Jim Flaherty is pleased with the IRS's policy shift, noting that "the vast majority of Canadians targeted were honest, hard-working and law-abiding individuals." "It's a victory for Canadians and a testament to our positive working relationship with our American neighbours." See [U.S. taxman to go easy on American residents in – The Globe and Mail](#).

For more, see:

[U.S. Tax Crackdown Hits Canadian Residents](#)

[Americans In Canada Must File U.S. Tax Returns](#)

[Please Sir, Can I Have Some More FATCA?](#)

[Stripping FATCA From Our Diet](#)

[FBAR And FATCA Haters Unite](#)

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