MACKENZIE
Investments

BE INVESTED

Year-end tax strategies that you need to know

Year-end tax strategies for you to consider

Investor strategies

Make your trades before the investment deadline

If you're planning on selling an investment at a loss to offset it against capital gains, for this year or in the last three years, you need to do it in 2024.

You will typically need two business days for the transaction to settle, so be sure to trade your stocks/ ETFs/mutual funds by December 30, 2024.

Trigger accrued losses before the year-end

If you have securities or funds held in non-registered accounts that have lost value, discuss with your financial advisor if it is a good idea to sell them to trigger a capital loss. This could also be beneficial to investors who have capital gains for the year in excess of $250,000. By realizing a capital loss this will hopefully allow them to have net capital gains below that threshold so they can take advantage of the 50% capital gains inclusion rate for all or most of the gain.

You can use capital losses to offset capital gains in the current year: you can also carry them back three years and carry them forward indefinitely.

Consider triggering your capital losses before the year-end if you have capital gains to offset this year. It is preferable to carry back losses to the earliest year possible since the oldest years will expire first.

Be aware of the superficial loss rules, which deny a capital loss if you have bought the same or similar investment 30 days before or after the sale of the investment. These rules also apply if the investment was purchased by an affiliated person (for example, your spouse or common law partner). Any denied capital loss may be available in the future.

December 30 is the investment trade deadline for 2024.

You can trigger capital losses to offset capital gains.

Treat capital gains appropriately

Capital gains are taxed more favorably compared to fully taxable income. Here are six ways to further minimize capital gains tax:

Use unused capital losses to offset capital gains.

Consider an in-trust for (ITF) account for a family member with little or no income. With the use of a basic personal amount of up to $15,705 for 2024 (amounts vary by province) this allows you to trigger up to $30,000 in capital gains without any tax.

If you delay selling the assets until early next year, you will delay paying tax on it until 2026.

If selling an asset results in a significant capital gain, structure the sale so you receive proceeds over several tax years. The capital gains reserve allows for one-fifth of the capital gain to be taxable when proceeds are received over a maximum five-year period. A tax professional can help you with this.

You can claim the $1.25 million lifetime capital gains exemption (LCGE) when you sell qualifying small business corporation (QSBC) shares or a qualified farm or fishing property. This is a highly complex tax strategy, so discuss this with a tax professional.

If you have a non-registered mutual fund portfolio that has been impacted by a fund merger, you might be exposed to capital gains tax. Our Mutual Fund Mergers white paper contains tax strategies for fund mergers.

Capital gains are realized when you sell an asset for more than its original cost.

Transfer investments to a minor child

Transferring investments that have lost value to a minor child will trigger a capital loss you can then use to offset any realized capital gains. Any future investment growth is taxable to the minor child, since attribution rules don't apply to capital gains.

Donate investments to charity

By donating publicly traded securities, mutual funds or segregated funds that have grown in value, you receive a tax receipt for their fair market value, and will also be exempt tax on any resulting capital gains.

For donations of securities to the Mackenzie Charitable Giving Program, we recommend that trades take place by November 30 to allow for enough time to transfer them before year-end.

Contribute to a tax-free savings account (TFSA)

A TFSA allows for tax-free growth of your investments and the freedom to withdraw at any time, with no tax or penalty.

The contribution limit for 2024 is $7,000, but if you've never invested in a TFSA, you could contribute as much as $95,000.

If you withdraw money from your TFSA, you can re-contribute, but only in the following year. If you expect to withdraw money in 2025, withdrawing it in 2024 will mean you won't have to wait until 2026 to re-contribute.

By donating investments directly to a charity, you receive tax credits and a tax exemption on capital gains.

TFSA withdrawals made this year will be added to your TFSA contribution room in 2025.

Contribute to a registered disability savings plan (RDSP)

If you or a family member under 60 qualifies for the disability tax credit (DTC) you may be able to set up a registered disability savings plan (RDSP).

An RDSP has several advantages:

- The beneficiary may qualify for matching government contributions in the form of a Canada Disability Savings Grant (CDSG), worth as much as $3,500 on the first $1,500 of contributions.
- In addition, the government provides an annual Canada Disability Savings Bond (CDSB) of up to $1,000, based solely on family net income, not contributions.
- There are no annual maximum contribution limits, only a lifetime limit of $200,000.
- Contributions can be made at any time up to the end of the year in which the RDSP beneficiary reaches the age of 59.

Speak to your financial advisor about establishing a Mackenzie RDSP for family members who have a disability.

Take advantage of RDSP carry forward rules

RDSP carry forward rules allow you to carry forward unused CDSG and CDSB entitlements for a period of 10 years.

These can be up to an annual maximum of $10,500 for CDSGs and $11,000 for CDSBs.

If you have unused CDSG and/or CDSB entitlements from previous years, a contribution of $3,500 to an RDSP before year-end may entitle you to up to $10,500 of CDSGs and possibly $11,000 of CDSBs (if this is a newly established RDSP).

This is particularly important if you turn 49 by the end of this year, as this will be your last opportunity to access any unclaimed grant or bond entitlements from previous years.

Speak to your advisor for more information about kick-starting your RDSP.

A $1,500 contribution to an RDSP may entitle you to a government grant of up to $3,500.

The last year to obtain CDSGs or CDSBs is age 49.

Open a First Home Savings Account (FHSA)

The FHSA is a tax-sheltered savings/investment account that allows individuals to contribute up to $40,000 toward the purchase of a qualifying home. Contributions are tax-deductible and the maximum annual contribution limit is $8,000 per individual. Unused contribution room can be carried forward up to a maximum of $8,000 but only if the FHSA is open.

If you are eligible, consider opening a FHSA in 2024 so that the unused contribution room can be used in 2025 or a future year. If you are not able to purchase a qualifying home, the balance in your FHSA can be transferred to your RRSP or RRIF on a tax-deferred basis without requiring any RRSP contribution room!

RRSP strategies

The RRSP contribution deadline is March 3, 2025

RRSP contributions must be made no later than 60 days after the calendar year-end in order to deduct against 2023 earnings.

The maximum RRSP contribution limit for 2024 is $31,560.

Your 2023 notice of assessment/reassessment will show your available RRSP contribution limit.

Any excess contributions above $2,000 are subject to a 1% per month penalty tax.

The maximum RRSP contribution limit for 2024 is $31,560.

Make the most of your unused RRSP contribution room

If you've ever contributed less than the maximum amount to your RRSP, you should have unused contribution room. Topping up your RRSP to the maximum level possible will maximize its benefits.

If you're short on money, consider borrowing or withdrawing from your TFSA to make an RRSP contribution.

Interest would not be deductible if you borrow capital to contribute, however TFSA contribution room can be recouped next year.

Speak to your financial advisor about ways you can maximize your RRSP contribution room.

Contribute to a spousal RRSP

If you make a spousal RRSP contribution before year-end, you could minimize the impact of the attribution rules on future withdrawals.

For example, if you make a spousal RRSP contribution this year, your spouse can safely withdraw funds from the spousal plan and pay tax on the income as early as January 1, 2027. However, if you contribute in January 2025, your spouse will have to wait until January 2028 before safely withdrawing funds without the attribution rules applying.

Final contribution to a spousal RRSP by March 3, 2025

If your spouse or common law partner passed away with unused RRSP contribution room this year, you should consider making a final contribution to a spousal RRSP by March 3, 2025.

This will provide tax savings, as the RRSP contribution can be deducted against income on the deceased's final tax return.

Base withdrawals on the younger spouse's age

If you turn 71 this year, you have to convert your RRSP to a RRIF or annuity and begin drawing an income.

Your minimum annual RRIF income could be lowered using the younger spouse's age, allowing you to keep more of it in your RRIF account longer and benefit from a greater tax deferral.

Withdrawals from a spousal RRSP may be taxed to the contributing spouse if contributions are made in the year of withdrawal, or preceding two years.

The Home Buyers' Plan allows you to withdraw up to $60,000 tax free to buy or build a home.

Delay Home Buyers' Plan withdrawals until after year-end

The Home Buyers' Plan (HBP) allows you to use RRSP savings to pay for the down payment on a new home.

Repayments begin two years following the year of withdrawal.

Budget 2024 extended the repayment grace period by 3 years for Canadians who withdrew, or withdraw under the plan between January 1, 2022 and December 31, 2025.

Delaying your withdrawal until after year-end allows you more time before you must begin repaying funds into your RRSP.

Make your required HBP repayment

You have to make your HBP repayments in 2024 if you participated in the program prior to 2022.

To avoid any unnecessary income inclusion, make your required repayment and designate it on Schedule 7 of your personal tax return.

Check your latest notice of assessment for details of the repayment amount.

If you are a first-time homebuyer, you can claim the 15% federal non-refundable tax credit available for up to $10,000 of the purchase cost. The maximum credit is $1,500.

Consider missing your HBP repayment

In some cases, it can be advantageous to intentionally miss your HBP repayment.

The deadline to make your 2024 RRSP contribution is March 3, 2025.

Consider this strategy if you are in an unusually low-income year.

Or if funds were borrowed from a spousal RRSP and your spouse is in a lower tax bracket.

HBP withdrawals are not subject to the spousal RRSP attribution rules and therefore the income inclusion will fall in the hands of the annuitant spouse.

This is another great way to income split.

You have 15 years to repay the funds you withdrew from your RRSP under the HBP.

Tax may be payable if you miss your HBP repayment.

Retiree strategies

Make an advanced RRSP contribution

If you turn 71 this year, you could make an RRSP over-contribution in December.

If you earned income in 2024, there will be RRSP contribution room for 2025.

However, you will not be allowed to contribute to an RRSP next year, because you have to convert your RRSP to a RRIF before year-end if you turn 71 this year.

This strategy means that you will be subject to a 1% penalty tax for overcontribution, but just for one month.

You will then be entitled to an RRSP deduction in 2025 (or a future tax year) that will generally provide tax savings that far outweigh the penalty tax cost.

Be sure to file a T1-OVP form to calculate the penalty tax cost.

Speak to your financial advisor about the specifics of your situation.

Apply for government benefits (OAS & CPP/QPP)

You can apply for CPP/QPP as early as age 60.

When you apply for CPP before the age of 65, your pension will be adjusted to reflect the longer time period of receiving benefits.

New rules apply to people collecting CPP benefits early, including changes to how your pension is adjusted and also the continuation of paying premiums if you continue to work prior to age 65.

If you turned 65 this year, you should also apply for Old Age Security (OAS) benefits as soon as possible. Don’t delay your application, because retroactive payments are only available for up to 12 months.

You can choose to delay your OAS and CPP/QPP for up to five years and receive increased benefits.

You must convert your RRSP to a RRIF before the end of the year you turn age 71.

CPP / QPP retirement benefits can begin as early as age 60 and deferred as late as age 70.

Create eligible pension income

You can split up to 50% of eligible pension income with your spouse for tax purposes.

If you are 65 or older this year and have no other eligible pension income, you could draw from your RRIF to take advantage of income splitting rules.

If your spouse /common-law partner is also aged 65+, you both qualify for the pension income tax credit.

In addition to the tax savings from income splitting, you will also receive tax savings from the pension income tax credit – a double benefit.

Opt out of CPP premium payments

If you turn 65 this year and are still working and collecting CPP, consider applying for an election to cease CPP premium payments.

The election is CRA form CPT30 and must be filed with your employer and the CRA

Discuss the pros and cons of opting out of CPP premiums with your advisor.

RRIF income is eligible for pension splitting at age 65.

Contributions to CPP after age 65 are optional, if you're still working.

Employee strategies

Pay interest on loans

If you have received an employee loan, a taxable benefit may exist if you pay anything less than the prescribed interest rate set by the CRA.

To avoid having to pay the taxable benefit, ensure any interest owing on the loan is paid by January 30, 2025.

Reduce the standby charge and operating benefit

Having a company vehicle can lead to a standby charge and operating benefit.

To reduce the possible standby charge, reduce the number of days between today and the year-end that the car is available to you.

Also, the operating benefit could be reduced to half of the standby charge if the vehicle was used 50% or more of the time for business purposes.

Finally, consider reimbursing your employer for any operating costs by February 14, 2025.

Reduce tax deductions at source

Discuss reducing source deductions from your pay with your employer.

You can do this if you expect a refund when you file your tax return due to RRSP contributions, interest deductions on investment loans, charitable donations, alimony or maintenance payments.

Alternatively, consider filing form T1213 with the CRA so that you can reduce your tax bill now, rather than waiting until April 2025 to get your refund.

A company vehicle is a great perk, but it comes with tax implications.

You can ask your employer to reduce source deductions in certain situations.

Family strategies

Identify income-splitting opportunities

Families can creatively split income to reduce their tax bill.

Here are some popular ways to use income-splitting for 2024 and beyond:

- Set up a prescribed rate loan with your spouse/common-law partner (see more on this below in strategy number 3)
- Create second-generation income
- Swap assets with family members
- Transfer assets to adult or minor children
- Contribute to a spousal RRSP
- Apply for CPP retirement pension sharing
- Consider RESPs for your children's education
- Consider splitting up to 50% of other eligible pension income

Please see Mackenzie's Income Splitting Brochure for more information on these and other valuable income-splitting strategies.

Income splitting may be beneficial when you can shift income to a lower taxed family member.

Contribute to an RESP

RESPs offer important benefits that you should take advantage of before year-end.

Contributions to an RESP entitle you to the Canada Education Savings Grant (CESG) of up to $500 per year — or $1,000 if there is unused grant room — to a maximum of $7,200 per beneficiary.

Consider contributing at least $2,500 by year-end to receive the maximum CESG for this year, or possibly more if you have unused grant room from previous years.

If you haven't started an RESP for your growing children, it may not be too late to maximize the CESG.

If your child is 10 or younger, you still have the opportunity to maximize the CESG.

If your child is 15 and you have never started an RESP for them, consider contributing at least $2,000 by year-end, otherwise, they won't receive any CESG at age 16 or 17.

RESP incentive programs are also provided by different provinces: the Québec Education Savings Incentive (QESI) and the British Columbia Training and Education Savings Grant (BCTESG).

Speak to your financial advisor about obtaining as much grant as possible for your RESP.

An RESP is a great savings plan for a child's education.

The CRA prescribed rate for Q4 2024 is 5%.

Consider prescribed rate loans to your spouse

Prescribed rate loans can provide tax savings if you are in a higher marginal tax bracket than your spouse/common-law partner.

Your lower income spouse can use the loan to purchase mutual funds or other investments and pay the tax on any investment income earned.

The interest paid on the loan must be included in the higher taxed spouse's income and is deductible to the lower income spouse, allowing a deduction against investment income earned.

Ensure that the interest is paid by January 30 of the next calendar year to avoid income attribution.

This strategy generally makes sense if the rate of return exceeds the CRA's prescribed interest rate.

Do you have non-deductible debt?

Interest incurred to earn income from a business or property is generally deductible against that income.

Interest on personal debt is not deductible, so consider paying off personal debts first before debts incurred for investment purchases.

Do you have deductions that will be worth more if made next year?

Some deductions can be worth more to you next year, provided you fall into a higher tax bracket. This can be useful for RRSP planning.

Installment payments

Based on your 2023 taxes payable, you may have been required to make 2024 installment payments.

However, if you expect a much lower tax bill, you don't have to follow the schedule.

Therefore, your December 15 installment payment may not be required.

Your December 15 income tax installment may not be required.

Take advantage of various tax credits

Various tax credits exist that could save you thousands of dollars.

The tax credit for teachers and early childhood educators provides a 15% federal refundable tax credit of up to $1,000 on the cost of supplies.

The federal tuition non-refundable tax credit can reduce a student's tax bill first, and up to $5,000 can be transferred to certain individuals. If you are in a trade or taking a language course, you may also qualify.

The Home Accessibility Tax Credit (HATC) is a federal non-refundable tax credit (with a maximum of $3,000) that can be claimed by an eligible individual for expenses (maximum $20,000) intended to improve accessibility to a home for people who are 65+ or eligible for the disability amount.

Home accessibility expenses can also be eligible for the medical expense tax credit, allowing you to double dip on eligible expenses.

In addition, the Canada Caregiver Credit is a 15% non-refundable tax credit and is also available if you support a family member with a mental or physical disability

You will need to provide original copies of receipts to claim any of these tax credits.

Speak to your financial advisor for more information.

Pay child care expenses to adult children

You can pay tax deductible child care expenses to your adult children.

Consider paying your 18+ children for any qualifying child care services they provided for your children aged 16 and under.

The services must be incurred to allow you, the parent, to earn employment or business income. Qualifying child care expenses are tax deductible in the year they are paid.

The income is taxable for the adult child, who is likely taxed at a very low/zero tax rate.

The maximum that can be claimed is $8,000 per child under seven, $5,000 for children between seven and 16, and $11,000 for children eligible for the disability tax credit.

Usually child care expenses must be claimed by the lower-income spouse.

Tax credits provide a dollar for dollar reduction in income taxes.

Paying adult children for child care is another way to income split.

Have you moved residences to start a new job?

Some of the costs may be tax deductible. If the move takes you at least 40 km closer to the new work location you could be eligible to deduct real estate fees on the sale of the old residence.

The land transfer taxes for the new residence, and other expenses may also be eligible.

The matter can get complicated, so it is best to ask your tax professional if you qualify.

Accelerate medical expenses

Medical expenses can be claimed for any 12-month period up to the end of the year. However, they only provide tax savings when they exceed the lesser of 3% of your net income and $2,635.

Therefore, accelerate medical expenses for you, your spouse and children before year-end in order to maximize tax savings.

Review trust income

Trusts can be established for a variety of purposes. Consider working with your financial advisor or tax professional to determine how much income was earned in the trust and how much income, if any, should flow out to beneficiaries.

Special care should be taken where Henson Trusts are established to ensure distributions from the trust do not affect any government disability benefits for the beneficiary with a disability.

Spouses/partners can combine their medical expenses, and it is usually best to have the lower income spouse claim all medical expenses.

Most, but not all trusts are taxable at the highest marginal tax rates.

Business strategies

Rules targeting active businesses that invest passively

When a private corporation earns too much passive (that is, investment) income, the owner may not be able to access lower tax rates on active business income up to the $500,000 annual small business limit (SBL).

When passive income, (specifically the adjusted aggregate investment income [AAII] of a corporation) exceeds $50,000 in a tax year, each dollar of AAII over the threshold will reduce the SBL by $5. Therefore, the SBL may be fully eliminated when AAII reaches $150,000.

The AAII earned in the 2023 tax year will be used to calculate the SBL for the 2024 tax year.

A reduction in the SBL means that your corporation may lose some or all of the ability to pay tax at the lower tax rate.

Instead, it may be subject to tax at the higher general corporate tax rate on the active income that exceeds the available SBL.

Tax-efficient investment strategies will be critical in helping to reduce the annual AAII for purposes of lowering the overall corporate tax liability, as well as protecting the SBL.

Speak to your financial advisor about specific strategies that suit your situation.

Earning too much passive income can bring higher taxes.

Business owners donating in-kind securities

If an appreciated security is donated in-kind to a charity, the capital gain is not taxable.

Therefore, 100% of the capital gain (as opposed to 50%) will be added to the corporation's capital dividend account (CDA), which can be paid tax-free to shareholders.

The corporation will also receive a charitable donation receipt equal to the value of the security donated, which can be used to reduce income for taxation purposes from all sources.

Consider the Mackenzie Charitable Giving Program if you are looking to create a legacy.

You can save on taxes with in-kind donations.

Defer your income

Consider delaying income you expect to receive this year until 2024.

For example, bonuses are deductible by the corporation provided they are paid within 180 days after the business year-end.

This means a bonus payable in 2023 could be paid in 2024, which would mean a tax deferral.

Pay salaries and/or dividends to family members

Income splitting among family members is a strategy available to many incorporated business owners and professionals.

Consider paying family members (that is, your spouse or children) a reasonable salary or wage for services provided to the corporation this year. This can shift income into the hands of family members who pay lower tax rates.

This provides an opportunity for children to start building RRSP contribution room.

If your spouse, common-law partner or adult children are in a lower tax bracket than you, the payment of dividends can result in tax savings for the family.

Be aware, however, that taxable dividends paid to adult family members may also be subject to top rate taxation, unless the adult family members meet certain tests or exclusions set out in the Income Tax Act. For example, if you turned 65 this year, dividends may be paid to your spouse or common-law partner under a specific exclusion to benefit from income splitting.

Paying dividends to adult family members is still available, however you should obtain appropriate tax advice to ensure you are onside with the new rules.

Dividends paid to adult children involved in the business, who meet certain criteria can be a great income splitting strategy.

Determine your compensation mix

Your compensation mix can affect your taxes. As a shareholder, you could be compensated by your corporation either in the form of a salary, eligible, non-eligible or capital dividends.

The optimal compensation mix can only be determined after considering your financial and tax position and that of your corporation.

Speak with your corporate accountant about determining what compensation mix is most appropriate in your situation for this year.

Purchase a vehicle from your company

Consider purchasing the vehicle that the company has provided to you, if it has depreciated in value.

Otherwise, the taxable standby charge will continue to be calculated using the original cost rather than the depreciated value.

Purchasing the vehicle will potentially allow you to avoid the annual taxable benefits and begin receiving a tax-free car allowance from the corporation for business use of your vehicle.

Claim an ABIL

An allowable business investment loss (ABIL) may be available to you if you lent money to, or invested in shares of, a small business corporation that has become insolvent or bankrupt.

The ABIL is equal to 50% of the loss, offsets capital gains and can be applied against any other type of income.

Shareholder loans

To your company

Consider reclassifying payments made to you by your corporation as a repayment of a shareholder loan owing to you.

Shareholder loan payments are a very tax-efficient way of drawing money out of the corporation with excess cash.

From your company

If you have borrowed money from your corporation in the prior taxation year, you should consider repaying the loan in full before the corporate year-end.

Otherwise, you will face an income inclusion on your personal tax return for the value of the outstanding loan.

Buying your company vehicle can bring a tax break.

Business investment losses can be tax deductible.

Shareholder loan payments are tax free.

Paying off a loan from your company can save you tax.

Transfer your business to child's corporation before year end

Under Bill C-208, shareholders of private corporations can transfer shares of a qualified small business, family farm, or fishing corporation to a corporation controlled by their child or grandchild and benefit from the same capital gains tax treatment as would be available in the case of a third-party sale. Prior to these rules, the income from the sale was taxed as a dividend resulting in higher tax liability. The 2023 Federal Budget introduced several parameters and criteria to qualify for the preferred tax treatment, which will apply to transactions after 2023.

Aggregate gifts or awards in excess of $500 are taxable to the employees.

Make a gift or award to an employee

Large gifts to employees are taxable.

As an employer, you are entitled to provide unlimited non-cash gifts or awards annually to employees.

However, the aggregate cost of the gifts, including HST/GST cannot exceed $500.

Tax reporting

Did you sell your principal residence this year?

You must report the sale of any real estate, including your principal residence, even if the gain is exempt.

If a property is not reported, fines amounting to $100 per month, up to a maximum of $8,000, can be incurred.

The “one plus” rule no longer applies for principal residences acquired in a taxation year in which the purchasing individual was not resident in Canada

Do you hold foreign property in excess of $100K?

If you own foreign property with a total cost between $100,000 and $250,000, you can use the T1135 simplified reporting method.

Simplified reporting requires:

- The taxpayer to only declare what types of property they hold (for example, funds, shares, real property, etc.)
- The three countries holding the most specified foreign property by cost
- The income from the specified foreign property
- The total gains or losses from selling all foreign property in the current year

If you own foreign property costing less than $100,000 throughout the year, you are exempt from T1135 reporting. If you own foreign property with a total cost exceeding $250,000 at any time during the year, you are not eligible for simplified reporting.

The sale of your principal residence may be entirely tax free.

A T1135 form is required if you own foreign property with a total cost exceeding $100,000.

Know your US filing requirements.

US persons living in Canada throughout the year have various US reporting requirements in addition to their US income tax filings.

Some examples include:

- The FinCEN Report 114 (also known as FBAR), if you owned financial accounts (registered and non-registered portfolios) in excess of US$10,000 at any time during 2024.
- Form 8938 – Statement of Specified Foreign Financial Assets, if you own certain assets that exceed either US$200,000 at the end of 2024, or US$300,000 at any time during the year if you live in Canada.
- In addition, if you are a beneficiary of a TFSA, you may need to file Form 3520/ 3520-A in the US, with some exceptions.
- These forms have various deadlines and penalties for non-compliance and are dependent on assets you own throughout the year.

These are complex issues and you should get help from a qualified cross-border tax advisor.

Beware of PFIC reporting obligations.

US persons holding a portfolio consisting of Canadian mutual funds and/or ETFs, in non-registered and certain registered plans, are considered to be shareholders of a Passive Foreign Investment Corporation (PFIC).

For US tax purposes, they are required to file IRS Form 8621 along with their US tax return.

PFIC shareholders are subject to negative US tax implications.

One method to reduce the tax impact and eliminate nasty interest and penalty charges is to file a Qualified Electing Fund (QEF) election along with your US tax return. QEF elections are only available where mutual fund companies are able to provide you with an annual information statement (AIS) with respect to your investment holdings.

Mackenzie offers AIS reporting for all mutual funds and ETFs, thus providing investors with the potential opportunity to minimize US tax implications.

Speak to your financial advisor for more information.

A US person includes a US citizen, US resident or green card holder.

Mackenzie Investments provides AIS reporting for all mutual funds and ETFs.

Claim a “Closer Connection Exception”

If you spend on average approximately four months of the year in the US, you may be considered a US resident for US tax purposes.

This can happen if you meet a specific days test in the US, known as the “substantial presence test”.

As a result, you may be subject to US tax and filing requirements, even though you are Canadian resident and pay Canadian taxes.

However, if you meet this test, you can avoid being considered a US resident by claiming that you actually have a closer connection to Canada.

To claim the closer connection exception, you must file Form 8840 with the IRS and meet other conditions. to minimize US tax implications.

Speak to a tax professional if, during 2024, and in the previous two years, you have spent time in the US and may benefit from this exception.

Snowbirds who spend on average four-plus months in the US on a regular basis may be considered US residents for tax purposes.

2024 is quickly coming to an end, so contact your financial advisor for help in implementing any of these strategies that might benefit you.

General Inquiries

For all of your general inquiries and account information please call:

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