

Travelling to the United States? Time to start counting your days

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In brief

Every time you cross the border into the United States you could be getting closer to a US filing requirement. Keeping track of your days in the United States is the first step to minimize your exposure to US income tax and onerous foreign reporting – especially because both Canada and the United States are tracking this information.

In detail

If you are a Canadian who spends a lot of time in the United States, you should monitor your days of presence there.

The Internal Revenue Service (IRS) considers foreigners who meet the US “substantial presence test,” to be US residents and therefore potentially liable for US income tax.

Substantial presence test

A Canadian will meet the “substantial presence” test if he or she spends:

- at least 31 days in the United States in the year, and
- 183 days or more in the United States under the following formula:

$$\begin{aligned} & \text{Total days present in the} \\ & \text{United States in the current} \\ & \text{year} \\ + & \text{ 1/3 of the days present in the} \\ & \text{United States in the previous} \\ & \text{year} \\ + & \text{ 1/6 of the days present in the} \\ & \text{United States in the year} \\ & \text{before that} \end{aligned}$$

Business vs. personal travel

It does not matter if the purpose of your travel is business or personal; both are included in the calculation.

What is a day?

A day includes any part of a day spent in the United States unless you are in transit through the United States (i.e. you are in an airport awaiting a connecting flight).

Entry/Exit Initiative

Both Canada and the United States are currently implementing the Entry/Exit Initiative.

As part of this initiative, both have information systems that track the number of days an individual is present in their country. This information is readily available to determine whether you are considered a resident in the United States for tax purposes.

US website

To get your US arrival and departure dates that have been recorded by the US Department of Homeland Security, search on Google for "Department of Homeland Security Consent." Then enter your passport number on the relevant (I-94 Information) website.

Exceptions to US residence

There are important exceptions that can save you from being considered a US resident for income tax purposes. The most common is the so-called closer

connection exception, which applies if you can demonstrate you have a closer connection to Canada and you meet other conditions. For more information, see our *Tax Insights* “The snowbirds sing....and the IRS listens” at www.pwc.com/ca/taxinsights

Let's talk

For a deeper discussion of how US income tax rules might affect you, please contact:

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