

What Snowbirds Should Know Before Heading South



Many Canadians learn to tolerate or even embrace winter, but those who hate the cold and snow may wish to explore the “snowbird” option.

Snowbirds are Canadian seniors and retirees who spend significant time (several weeks or months) in a southern U.S. state like Florida or Arizona. While basking in warmer weather can be appealing, it also raises challenges for Canadians living temporarily in the U.S.

U.S. income taxes

Depending on your time spent in the U.S., you might be considered a U.S. resident for tax purposes, which means filing a U.S. tax return to report your worldwide income (in addition to a Canadian return).

You can avoid being deemed a U.S. resident if you satisfy one of the following:

Substantial Presence Test. It requires you to spend less than 31 days in the U.S. in the current calendar year and less than 183 days (on a weighted basis) during the three-year period over the current and two preceding calendar years.

Closer Connection Exemption. In the current calendar year, you must spend less than 183 days in the U.S., be able to establish a home in Canada and prove that you have a closer connection to Canada than the U.S.

Canada - U.S. Tax Treaty. If you spend 183+ days in the U.S. during the current calendar year, you may file a U.S. non-resident tax return and try to claim an exemption under the Canada - U.S. Tax Treaty by completing certain U.S. Internal Revenue Service forms.

Rental scams

Unless you purchase property in the U.S. – which brings its own tax-related complications – you’ll need to rent.

But beware of scammers.

They’ll advertise a great rental property at an amazing price, often well below market rates. Once you’re hooked, they may demand a wire transfer for a substantial deposit or even the cost of the entire rental period. When they receive your transfer, you’ll likely never hear from them again.

You can avoid rental scams by doing your homework to ensure you’re dealing with people who can legally rent out the property. Consider properties from legitimate rental websites or reputable real estate brokers/property managers. If someone claims to own the property or is an agent for the owner, insist they verify their identity and provide credible references.

Conduct an online search for properties that sound interesting to ensure they exist and are actual rental units. Ask friends who've rented in your desired area to recommend properties. To avoid nasty surprises, sign a formal agreement that covers all rental terms and conditions.

Travel insurance

Qualifying snowbirds have access to insurance policies designed to address their specific needs. Which policy is right for you will depend on factors such as how long you'll spend in the U.S. or how many trips you've planned in a given year. Snowbird insurance helps cover the cost of accidents, health issues and other emergencies.

The cost of U.S. medical care can be exorbitant and may shock those accustomed to Canada's universal health care system. While provincial health insurance may cover some U.S. medical costs, coverage is limited and you'll need additional insurance. To get the coverage you require, it's best to purchase a snowbird policy from a reputable insurance provider before leaving Canada.

Your vehicle

If you have a reliable vehicle and both the desire and ability to drive to the U.S., you can bring your vehicle across the border with few issues. Just know that keeping your vehicle there for more than one year may lead to import taxes or duties. Also, provided you didn't make any value-enhancing modifications to your vehicle while in the U.S., taxes or duties won't apply when returning to Canada.

Another popular option for snowbirds is to fly to their destination and rent a vehicle during their stay, or buy a vehicle in the U.S. and keep it there year-round. Investigate ahead of time so you know what rules and stipulations may apply.

We can help create a wealth plan that accommodates the snowbird lifestyle, so contact us today.

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