

Canadians with Connections to the U.S.A. Toolbox Seminar

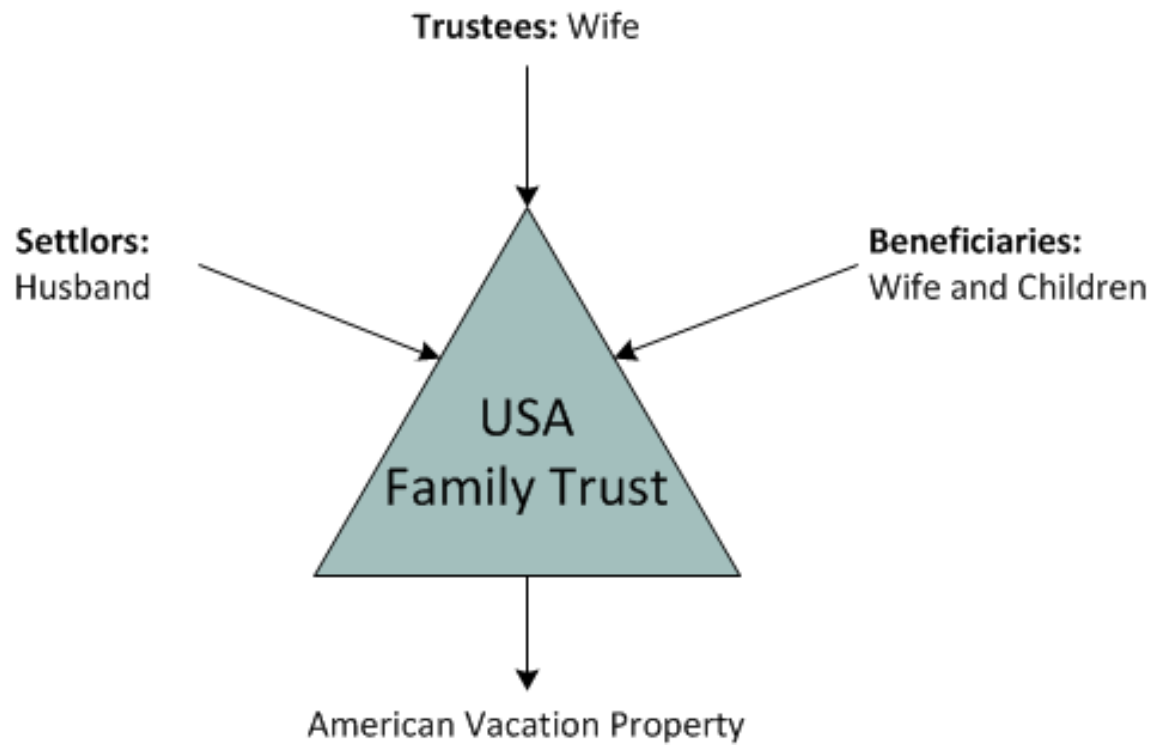
Presented by: Lorne Saltman
December 7, 2016



Table of Contents

1. U.S. Vacation property
2. Estate Freeze of Canadian Business with U.S. Beneficiary
3. Canadian Family Trust for Mobile Art Collection

U.S.A. Family Trust



The issues to consider include the following:

- U.S. Estate tax at an escalating rate up to 40% of the gross value of U.S. *situs* property, such as a U.S. vacation home
- U.S. Gift tax on a similar scale
- U.S. tax on sale of the property
- Canadian income tax on the capital gain either deemed to be realized on death or from actual sale of the property
- Avoiding double taxation

Available Arrangements to Hold U.S. Vacation Property

- Individual ownership
- Holding company in Canada
- Holding company in U.S.
- Non-recourse mortgage
- Life Insurance
- Canadian family trust

Use of Canadian Family Trust

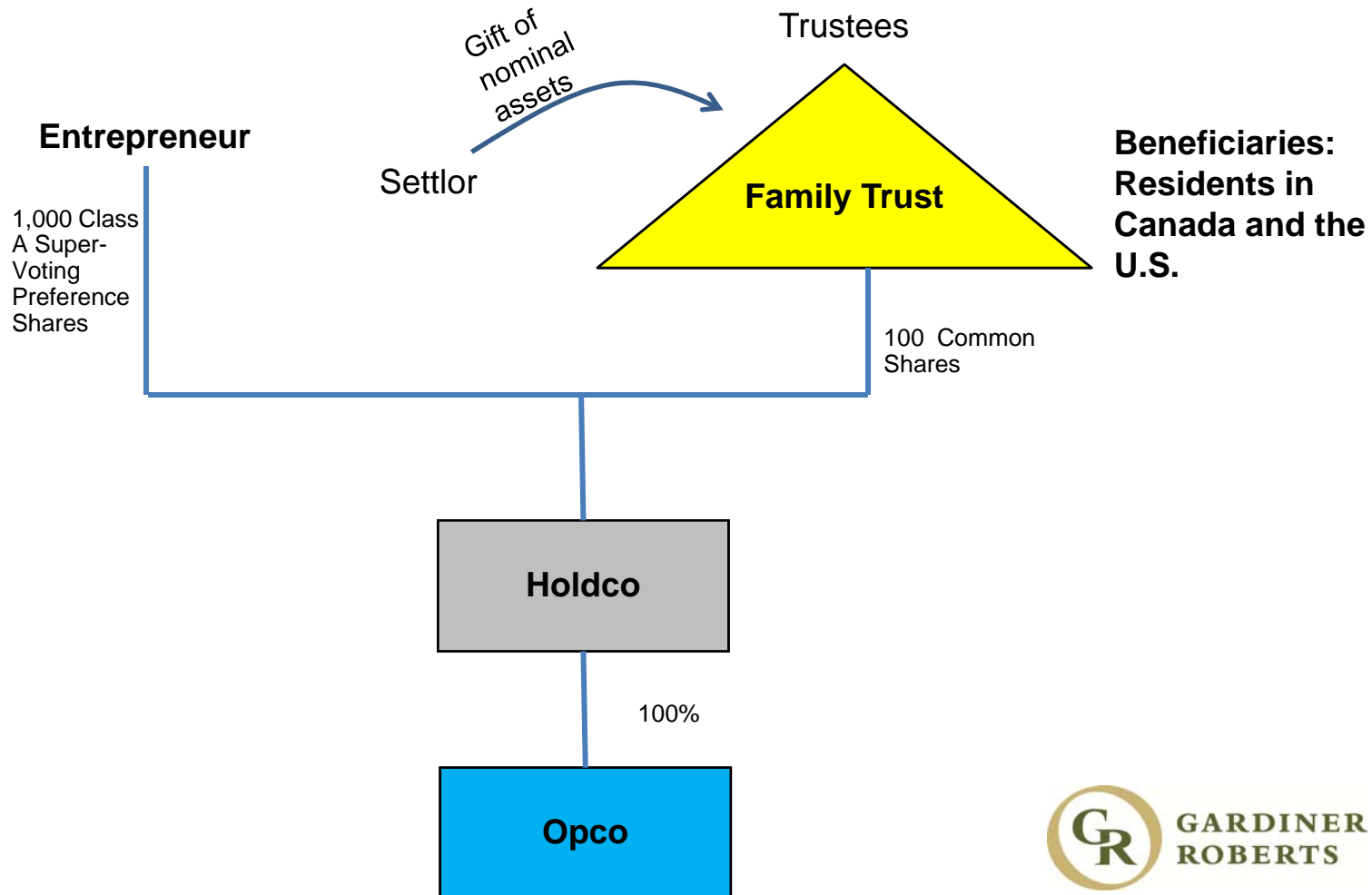
- Structure
 - Spouse with resources contributes purchase price of property to trust as settlor
 - Other spouse is trustee
 - Beneficiaries include other spouse and issue (but not settlor spouse)

Use of Canadian Family Trust

...cont'd

- Implications
 - Insulation from U.S. Estate tax and Gift tax
 - Avoidance of U.S. probate on death
 - Integration of trust with wills and estate planning
 - On sale, capital gain taxed in the U.S. to trust or individual beneficiaries at long-term capital gains rate, currently 20%
 - On sale, must recognize U.S. capital gain to trust or beneficiary in Canada , subject to maximum tax at 26.5%, with a foreign tax credit for the 20% tax paid to the U.S.

Estate Freeze Ownership Structure



Estate Freeze Ownership Structure

...cont'd

- Family trust uses nominal capital to subscribe for newly-issued common shares of Holdco from its treasury
- On a future disposition of the shares of Holdco (that carry along the shares of Opco), either on an actual sale or deemed disposition, Entrepreneur realizes proceeds equal to the value fixed at the time of the estate freeze

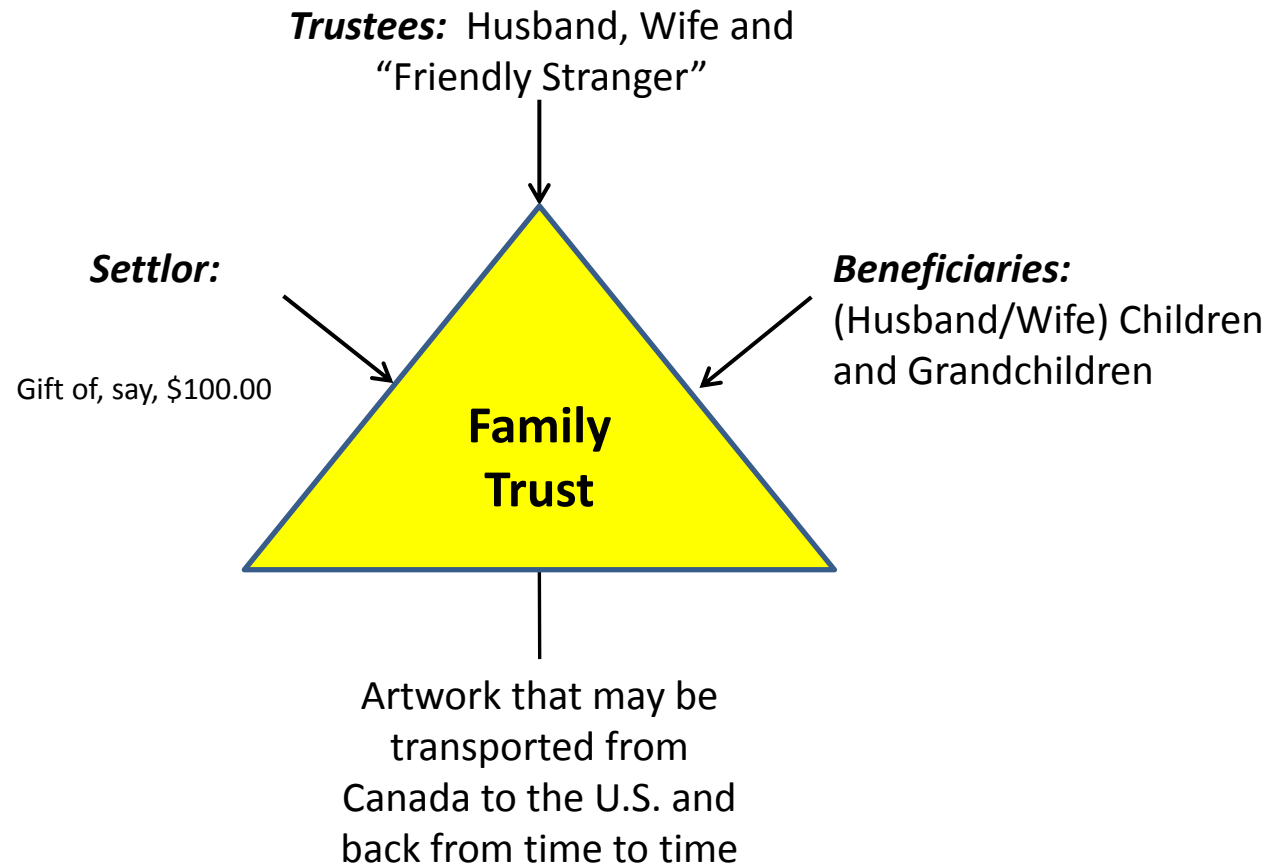
Estate Freeze Ownership Structure

...cont'd

- The Family Trust will realize a capital gain on the sale of its common shares equal to the growth in value from the time of the freeze until the time of disposition
- Possible to multiply the \$824,176 lifetime capital gains exemption on sale of qualifying small business corporation shares



Discretionary Family Trust





Questions?



Contact Us

Lorne Saltman



T **416.865.6689**



E **lsaltman@grllp.com**



W **grllp.com**



@grllp

