

Top 10 Tax Checklist 🗹



Alas, tax preparation day is not a holiday we look forward to, but the time we take getting our tax issues in order certainly helps the next 364 days of the year go smoother. Nicole Ewing, Tax and Estate Planner, TD Wealth recommends that when you sit down with your tax professional, here's a checklist of yearend items you should discuss.

Get a double benefit for charitable giving

If you sell your listed securities at a profit, you'll pay capital gains tax. But if you donate the shares directly to your favourite charity (or to a donor advised fund), you not only skip the capital gains tax, but also, gain the tax credit.

Maximize your TFSA and RSPs

Contribution limits to a Tax Free Savings Account have been scaled back, but one option is to ensure you have maximized your TFSA this year and in past years; although the benefit is comparatively small, every bit helps. Same deal with RSPs; It may not make a huge difference for a high income individual, but why leave money on the table? Moreover, if you own a business or are a partner in a partnership, deciding whether you should take a salary from the company and contribute to your RSP, as opposed to other kinds of compensation, will depend on your overall tax situation.

Make use of tax-loss selling

Review your non-registered investments and see if you can lower your income by claiming your capital losses on investments and offset capital gains. You can carry back unused losses up to three years or they can be carried forward indefinitely. Also, remember, transactions take time to clear and because of December holidays, the last day to sell is Dec. 23. This date changes every year.

Remember foreign exchange when considering profits or losses

With investors holding non-Canadian securities, check out whether you have actual capital gains or losses once you convert the value of your securities into loonies and what the exact figures are. For example, an American stock may have declined in value over the past two years, but you may be seeing an actual increase as the value of the U.S. dollar has increased. You may not know the correct method to calculate profits or losses on foreign securities — so check with your advisor.

Accounting for vacation properties

If you have made capital improvements on vacation properties this year, find your receipts and get them in order. The higher the documented cost of any improvements, the lower the tax bill will be on the gains when it's passed on or sold.





Managing the tax bite for your heirs from high real estate prices

Not nice to think about, but at some point your death could trigger a tax liability on real property — a cottage or vacation home — if the property has appreciated over time. To avoid needing to sell the property to pay a potentially large tax bill, you can begin the process of transferring your estate to your heirs while you are still alive, locking in the value of your asset now. In this way, your executors may avoid liquidating the property to pay the tax bill, a bill that could be significantly reduced.

Tax change for life insurance coming in 2017

Changes in the tax treatment of universal life insurance policies will be less favourable starting in 2017. Universal life insurance may be tax sheltered, hold investments and can be part of an overall tax strategy. Check and see if a universal life policy is a strategy that would help your tax management and get your policy grandfathered before the calendar turns.

Tax changes in 2017 for business owners large and small

New legislation impacts two separate areas for business owners. First, with changes to the taxation and treatment of eligible capital property, businesses will lose the corporate tax deferral of a goodwill sale. Second, new rules, which may restrict access to the small business deduction, will impact corporations that provide services and or property to partnerships and corporations with common ownership. The new rules could significantly impact planning e.g. for many doctors, dentists, accountants, and lawyers. Look at your corporate situation and talk to your tax advisor to see if you need to solidify any gains now or to restructure your business to take these tax changes into account.

Does the IRS think are a U.S. person?

Are you a Snowbird who spends a significant amount of time in the States or perhaps your parent is a U.S. citizen and has lived in the U.S. for a period of time? If the answer is 'yes', you may be considered a "U.S. person" in the eyes of the IRS, which means you could have tax filing obligations and owe taxes to the IRS. The rules around who is considered a "U.S. person" are complex. So if you're unsure about your U.S. tax status, contact your tax advisor.

10 Get the right team on your side Above all, ensure that you have the proper tax expertise at your side. Tax rules can be complicated. So check in with your tax professional to ensure you have the best team to manage your taxes and give yourself peace of mind.

— Don Sutton, MoneyTalk Life

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