

February 21, 2017

Dear Tax Client:

**2016 PERSONAL INCOME TAX RETURNS (T1 RETURNS)**

Please carefully review the enclosed information relating to the preparation of your 2016 personal income tax returns:

Please advise (on the attached checklist) as to whether you wish to receive a hard copy or an electronic copy of your tax return.

Please note that we will retain on file all original tax receipts.

**A. Personal Income Tax Return Engagement Letter**

The enclosed engagement letter is provided to outline the nature of both your and our responsibilities in respect of the preparation of your 2016 personal income tax return. Please review this engagement letter carefully, ensure that it is signed by you (or a spouse and adult children), and return it to us together with your income tax information and the enclosed "2016 Personal Income Tax Information & Checklist".

The Canada Revenue Agency (CRA) has legislated penalties on both taxpayers and the professional preparers of personal income tax information. It is incumbent upon our clients to ensure that we receive correct and complete information from them and that they understand that the responsibility for this correctness and completeness resides solely with them. We expect that any penalties that we might incur, arising from our clients' failure to provide "correct and / or complete" information to us, will be reimbursed to us by our clients, with whom the ultimate responsibility rests.

**B. Personal Income Tax Information & Checklist**

The enclosed checklist will assist you with the gathering of information for the preparation of your 2016 personal income tax return. Please complete and return it to us together with the required information for yourself and members of your family, as soon as possible. Your assistance in providing this information before March 15, 2017 will facilitate the timely preparation of your income tax return. If you require additional copies, please let us know. **The filing date for most 2016 T1 Returns is April 30, 2017.**

Where specific information is missing, please send us the information you do have and note which items are outstanding. This will enable us to begin to prepare your return and review any issues with you that may impact your tax liability for 2016.

**C. Foreign Income Verification Statement (Form T1135E)**

This form must be filed with your 2016 tax return, if at any time in the year the total cost amount of all specified foreign property you owned or held a beneficial interest in was more than **\$100,000 Canadian**. This includes the cost basis of U.S. investments (stocks, bonds and U.S. T - Bills, held in your brokerage accounts). If this applies to you, please advise us and we will send the form to you for completion [see item #1 (h)].

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February 26, 2017

Re: 2016 Personal Income Tax Returns (T1 Returns)

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**D. USA Tax and Information Reporting**

**1. Foreign Trusts - U.S. Persons (U.S. Forms 3520 and 3520-A)**

These forms must be filed with your 2016 IRS Form 1040 U.S. income tax return if you have RRSPs or other foreign trusts, including TFSA and RESP, or if you receive gifts from foreign (for U.S. purposes) persons. If this applies to you, please advise us and we will send the forms to you for completion. Note that IRS Form 3520-A is due by March 15 following the calendar year.

**2. Report of Foreign Bank and Financial Accounts ("FBAR") - U.S. Persons (U.S. Form FinCEN114)**

If you are a U.S. tax filer with the IRS, this form **must be filed** with U.S. Department of the Treasury by June 30, 2017 to report a financial interest in, signing authority, or other authority over one or more financial accounts (including RRSPs, RRIFs, life insurance or annuity contract with a cash value, joint accounts, etc.) held outside the U.S.A. if the aggregate value of the accounts exceeded US\$10,000, at any time during 2016.

There are significant penalties, including fines and/or imprisonment, provided for failure to file a report or for filing a false or fraudulent report.

**3. Statement of Specified Foreign Financial Assets ("FATCA") (US Form 8938)**

If the aggregate value of foreign (Non-U.S.) bank and financial accounts and other investments (stocks, bonds, debentures, mortgages, etc.) owned directly and/or jointly exceeds U.S.\$200,000 on December 31, or U.S. \$300,000 at any time during the year, U.S. persons are required to file Form 8938 with their income tax return.

**4. You may be required to file a USA (IRS) Information Return if you are a long-term visitor to the USA ("a snowbird"). Please refer to our enclosed memo.**

**E. Personal Information Protection and Electronic Documents Act (PIPEDA)**

Please refer to our website [www.rznaccountants.com](http://www.rznaccountants.com) re the privacy policy. Please do not hesitate to contact us if you require any additional information.

Yours very truly,

**RZN, LLP**



/pb

Enclosures

Ref: Master46.2017

**RZN, LLP**

CHARTERED PROFESSIONAL ACCOUNTANTS & LICENSED PUBLIC ACCOUNTANTS



Name: \_\_\_\_\_ S.I.N. \_\_\_\_\_ Birth date \_\_\_\_\_

Tel. (Day): \_\_\_\_\_ Tel. (Night): \_\_\_\_\_ Fax #: \_\_\_\_\_ Cell #: \_\_\_\_\_

Mailing address to be used on T1 Return same as last year? \_\_\_\_ New address: \_\_\_\_\_

Is your home address the same as your mailing address? Y/N \_\_\_\_ **Confidential** e-mail address \_\_\_\_\_;

Do you wish your copy of the Personal Income Tax Return to be: Paper \_\_\_\_ Electronic (PDF) \_\_\_\_

A. NOTE: The 2016 RRSP Contribution DEADLINE IS MARCH 1, 2017.

B. 1. U.S. CITIZENS: PLEASE NOTE THAT IF YOU ARE A U.S. CITIZEN OR A PERSON REQUIRED TO FILE IN THE U.S., YOU ARE REQUIRED (BY U.S. TAX CODE) TO FILE A 1040 U.S. INCOME TAX RETURN AND A U.S. TD F 90-22.1 [REPORT OF FOREIGN BANK AND FINANCIAL ACCOUNTS ("FBAR")]. THERE ARE SIGNIFICANT PENALTIES FOR NOT COMPLYING. Please provide us with a completed copy of the IRS Form 1040 for 2016. If you would like us to prepare your IRS Form 1040 for you, please let us know. If you are a U.S. citizen you must report your non-U.S. assets (if in excess of U.S.\$10,000 at any time in 2015 (There is a significant IRS penalty for not providing this information to the IRS on a timely basis)).

2. U.S.A. REPORTING FOR CITIZENS (CANADIAN CITIZENS WHO ARE "SNOWBIRDS"): Please see the attached memo on "US Tax (IRS Reporting) Impact on Canadians Vacationing Long-Term in the USA" IRS Form 8840.

C. PLEASE OPEN ALL ENVELOPES CONTAINING TAX SLIPS. DO NOT PROVIDE US WITH THE ENVELOPES TO OPEN.

D. PLEASE CHECK-OFF THE ITEMS BELOW THAT ARE APPLICABLE TO YOUR 2016 (CRA T1) PERSONAL TAX RETURN AND RETURN THIS SCHEDULE TO OUR OFFICE TOGETHER WITH ALL COPIES OF THE RELEVANT DOCUMENTATIONS AS FOLLOWS:

## 1. Taxpayer (and family) information:

a) \_\_\_\_ Please check and correct if necessary, address on name label above

b) \_\_\_\_ 2015 Notice of Personal Income Tax Assessment and 2015 (or prior years) Reassessment(s).

If this is the first year that we are preparing your income tax return, please provide the past 2 years returns.

c) \_\_\_\_ List of children under age 18 at any time during the year:

Name: \_\_\_\_\_ Birth date: \_\_\_\_\_

Name: \_\_\_\_\_ Birth date: \_\_\_\_\_

Name: \_\_\_\_\_ Birth date: \_\_\_\_\_

Name: \_\_\_\_\_ Birth date: \_\_\_\_\_

d) \_\_\_\_ List of children over age 17:

Name: \_\_\_\_\_ Birth date: \_\_\_\_\_ SIN: \_\_\_\_\_

Income details: \_\_\_\_\_

Name: \_\_\_\_\_ Birth date: \_\_\_\_\_ SIN: \_\_\_\_\_

Income details: \_\_\_\_\_

In addition, if these children pay rent, provide details of rent payments, as they may be entitled to the Ontario Trillium Benefit.

Rent: \_\_\_\_\_ Paid to: \_\_\_\_\_ Address: \_\_\_\_\_

In addition, if these children pay tuition, provide **CRA Form T2202 Tuition Tax Slips**, which is issued by the post-secondary institution. **No other school or book receipts need to be provided.** The T2202 form can usually be downloaded by you from the institution's website. There may also be information relating to the federal Public Transit Pass Credit.

e) \_\_\_\_ **MARITAL STATUS.** If your status changed during the year, please provide details and date of change.

f) \_\_\_\_ If we do not prepare the tax return of your spouse, please provide the following details:

Name: \_\_\_\_\_ Birth date: \_\_\_\_\_ SIN: \_\_\_\_\_

Net income from Line #236: \_\_\_\_\_

g) \_\_\_\_ Receipt from Canada Revenue Agency or details by date, for 2016 personal tax instalments paid. Please include the summary of 2016 instalments provided by CRA in February 2017. Please also provide details of the March 2017 tax instalment.

**RZN, LLP**



Name: \_\_\_\_\_ S.I.N.: \_\_\_\_\_

D. PLEASE CHECK-OFF THE ITEMS BELOW THAT ARE APPLICABLE TO YOUR 2016 (CRA T1) PERSONAL TAX RETURN AND RETURN THIS SCHEDULE TO OUR OFFICE TOGETHER WITH ALL COPIES OF THE RELEVANT DOCUMENTATIONS AS FOLLOWS: (Continued)

1. Taxpayer (and family) information: (Continued)

h) ☐ Did you own or hold **foreign property** at any time in 2016 with a total **COST** of more than Canadian \$100,000? If so, you are required by Canada Revenue Agency to file CRA Form T1135. Please contact us for details of the information required to be disclosed. Note that this includes US securities (stocks, bonds, etc), even if held in a Canadian broker account. There is a significant CRA imposed penalty for not providing this information to CRA by April 30, 2017.

2. Income information

- a) ☐ Employment income. T4 Form (Releve 1's from Quebec) (including commission expenses).
- b) ☐ Pension/Unemployment/Other income. T4A / T4E / T4A(OAS) / T4A(P) / T4RIF / T4RSP forms.
- c) ☐ Dividend/Interest/CSB'S. T5 / T3 / T600 forms.
- d) ☐ Schedule of loans, mortgages and/or advances receivable showing date debt was advanced or renegotiated and interest owing to the anniversary date.
- e) ☐ Schedule of capital gains/ losses on disposal of real estate/stocks/bonds/mutual funds including **acquisition** and **DISPOSAL** dates. It would be helpful to have copies of broker statements for the entire year, if you have activity with respect to shares / bonds / mutual funds. **The tax rate for capital gains may be dependant on the date of disposal.**
- f) ☐ Tax package from limited partnerships, which contains information on the transfer or rollover of the partnership to a corporation (and the disposition that is required to be reported) and the issue costs that can be deducted over the next several years.
- g) ☐ Details of strip coupon bonds held.
- h) ☐ Self-employment income. List details of income, including commission income, and related expenses or provide financial statements. A summary of expense by categories is all that is required by us. Do not send in individual invoices for car expenses and advertising and promotion (keep the documents for your records).
- i) ☐ Partnership income. CRA Form T5013 and/or financial statements of partnership(s).
- j) ☐ Rental income. Provide financial statements or list details of income and expenses and asset acquisitions or disposals, if any.
- k) ☐ Please list any real estate investments you hold (including dates of acquisition):  
  
\_\_\_\_\_  
  
\_\_\_\_\_

- l) ☐ Details of Workers Compensation (WSIB) or social assistance received.
- m) ☐ Details of stock options exercised in year.
- n) ☐ Universal Child Care Benefit - Form RC62.

3. Expense, deduction and tax credit information

- a) ☐ Pension contributions/deductions for prior years. Provide official receipts.
- b) ☐ RRSP contributions (including those up to **March 1, 2017**) or withdrawals including home buyers plan withdrawals or repayments. **Provide official slips and a copy of the home buyers plan statement if applicable.**
- c) ☐ Labour Sponsored Venture Fund receipt (RRSP and non-RRSP).
- d) ☐ Professional/Union fees/official paid receipts required.
- e) ☐ Child care expenses. List details separately for each child. **S.I.N.# for "nannies" or child care providers are required** and a copy of the "nanny's T4 form. Child care expenses may be claimed for children who were under 16 years of age at any time in the year.



Name: \_\_\_\_\_ S.I.N.: \_\_\_\_\_

D. PLEASE CHECK-OFF THE ITEMS BELOW THAT ARE APPLICABLE TO YOUR 2016 (CRA T1) PERSONAL TAX RETURN AND RETURN THIS SCHEDULE TO OUR OFFICE TOGETHER WITH ALL COPIES OF THE RELEVANT DOCUMENTATIONS AS FOLLOWS: (Continued)

3. Expense, deduction and tax credit information (Continued)

f) ☐ Medical expenses paid in the year relating to you, your spouse and your dependants. Provide original receipts. Also include details of premiums paid by you to all private health care plans during the year. Do not include expenses for which you were reimbursed by a medical plan. It is possible to obtain a printout from pharmacies for prescriptions for the entire year or from dentists for payments made for the entire year. It is also helpful if you list the medical expenses and attach the receipts. Do not include receipts paid in 2017. If you have a medical plan, please send us the remittance summary that the insurance company sends with the cheque (rather than the receipts that are already included on the summary). The difference between the amount claimed and the amount reimbursed is what is allowed as a medical expense for income tax purposes.

g) ☐ Business investment losses ("ABIL").

h) ☐ Moving expenses (relating to employment relocation).

i) ☐ Alimony or spousal support paid or received. Amount? \_\_\_\_\_ From/to: \_\_\_\_\_

j) ☐ Alimony or child support paid or received. Total? \_\_\_\_\_ Taxable? \_\_\_\_\_ From/to: \_\_\_\_\_

If taxable, S.I.N. of Recipient \_\_\_\_\_

Please include a copy of the alimony and/or child support agreements if we do not already have it.

k) ☐ Interest expense (investment loans). Provide list or bank slip and use of proceeds of the loan(s). RRSP, RESP or TFSA loans do not generally qualify for interest expense deductions.

l) ☒ NO Safe deposit box. No longer deductible effective beginning in the 2014 taxation year.

m) ☐ Investment counsel/accounting/legal fees. Provide receipts. RRSP, RESP, TFSA administration fees are not deductible.

n) ☐ Employment expenses (car, office and/or promotion) and CRA Form T2200 completed and signed by employer.

Provide amount of reimbursement by employer, if any.

o) ☐ Other deductions.

p) ☐ Disability deduction (for yourself/dependant) CRA Form T2201 signed by physician. Please check the expiry date of the CRA T2201 and complete a new one and submit to CRA if necessary as early as soon as possible so it may be approved in a timely manner.

q) ☐ Tuition fees and education deduction. Provide official school tax slip.(CRA Form T2202)

r) ☐ Tuition fees and education deduction (for your dependant). CRA Form T2202 signed by student.

s) ☐ Charitable donations. Provide original receipts (receipt must have charitable organization tax number). It would be helpful if you provided a listing. Only include donations made in 2016 or prior, not 2017.

t) ☐ Political contributions (Federal and Provincial). Provide official receipts.

u) ☐ Repayment of social benefits (EI or CPP) amounts.

v) ☐ Public Transit Pass receipts and/or cost-per-trip electronic payment card receipt for travel for the year for self, spouse and children under 19. Do not send the passes themselves, but retain for your records.

w) ☐ Child Fitness Tax Credit and Children Arts Tax Credit - Statement and receipts from provider.

x) ☐ Home Buyers amount. If you have purchased a home after January 27, 2009 and have not owned a home in the year of acquisition or in any of the four preceding years, there is a non-refundable federal tax credit on \$5,000.

y) ☐ Ontario Healthy Homes Renovation Tax Credit. If you are a senior (65 or over), or living with a family member who is a senior, there is a 15% refundable tax credit for eligible home improvements. Please see that attached schedule and instructions. Please provide details if you have qualifying expenses.

Name: \_\_\_\_\_ S.I.N.: \_\_\_\_\_

D. PLEASE CHECK-OFF THE ITEMS BELOW THAT ARE APPLICABLE TO YOUR 2016 (CRA T1) PERSONAL TAX RETURN AND RETURN THIS SCHEDULE TO OUR OFFICE TOGETHER WITH ALL COPIES OF THE RELEVANT DOCUMENTATIONS AS FOLLOWS: (Continued)

4. Other information

a) ☐ Amount of property tax or rent paid in 2016 \_\_\_\_\_ To whom? \_\_\_\_\_

Address to which payment relates \_\_\_\_\_

b) ☐ Amount of 2016 Ontario Senior Homeowners' Property Tax Grant received \_\_\_\_\_

c) ☐ The personal income tax return has a question regarding Elections Canada. Please advise us if you do not want Canada Revenue Agency to provide this information (name, address, date of birth) to Elections Canada.

Provide this information: Yes ☐; No ☐.

d) ☐ Please review, sign and return a copy of our firm's engagement letter which is enclosed and is a required authorization form.

e) ☐ I have reviewed the privacy policy of RZN, LLP as it relates to the Personal Information Protection and Electronic Documents Act (PIPEDA). Privacy policy : [www.rznaccountants.com](http://www.rznaccountants.com).

f) ☐ The '30% off Ontario Tuition' grant for full-time students at Ontario colleges or universities must be applied for. In order to receive the grant for the winter 2017 term, you **must apply by MARCH 31, 2017**. No grant application is necessary for students already receiving OSAP.

Comments and other information:

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February 19, 2017

Dear,

**Re: 2016 CRA (T1) Income Tax and Benefit Return**

The purpose of this letter is to set out a clear understanding of the nature of our involvement as the preparer of your personal income tax returns for 2016 and your responsibilities as the taxpayer.

It is understood and agreed that your responsibility as the taxpayer is as follows:

1. The accuracy of the information and completeness of the representations reflected in your returns is your responsibility under the *Income Tax Act*. You represent that the information supplied to us is, to your knowledge, correct and complete, and fully discloses all of your reporting requirements under the *Income Tax Act*.
2. You confirm that you have provided us with all income and deduction items to be included in your tax returns, as well as the details of all capital dispositions, and that they are correct and complete. You confirm that all sources of income have been disclosed, all deductions were incurred to earn income, and all credits claimed are supported by receipts.

If you owned certain property outside of Canada totaling more than \$100,000 at any time during 2016, it may be necessary for you to declare such ownership in your tax return. There are substantial fines and penalties for non-compliance. You confirm that you have provided us with the correct and complete information with regards to ownership of, or beneficial interests in, specified foreign property as reported on the *Foreign Income Verification Statement (CRA form T1135)* and you have fully disclosed the related foreign income.

You are not aware of any illegal or possibly illegal acts for which you have not disclosed to us all facts related thereto:

You have advised us if you are a U.S. citizen or resident, as additional tax disclosures and services may be required.

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## FEES

I agree to pay **RZN, LLP** for the preparation of my personal income tax returns in accordance with **RZN, LLP** standard charge-out rates.

If you have any questions about the contents of this letter please call us. If the services outlined are in accordance with your requirements and if the above terms are acceptable to you, please sign this letter in the space provided and return it to us prior to our commencement in preparing your personal tax return. We appreciate the opportunity of continuing to be of service to you in the preparation of your personal income tax return.

Yours very truly,

**RZN, LLP**

The services and terms as set out above are as agreed. As well, I acknowledge and accept my responsibilities as the taxpayer as outlined above.

Accepted By: \_\_\_\_\_  
Please print name

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Date)

If this engagement includes other members of your immediate family, we request that they also sign a copy of the engagement letter. You may sign for minor children.



## USA TAX (IRS REPORTING) IMPACT ON CANADIAN RESIDENTS VACATIONING LONG-TERM IN THE USA

### CANADA AND USA - TAX REPORTING

As a Canadian resident you could be considered a USA tax resident. If this is the case, the basis on which **tax residency** is determined is through the IRS "*Substantial Presence Test*".

1. For this purpose, for "long-term vacations", you will be considered a USA tax resident if you meet the following requirements:
  - **Physically present in the United States at least 31 days in the current year, and**
  - **You were physically present in the USA for 183 days during the 3 year period that includes the current year and the 2 years immediately before that.**
2. If you fall into this category, potential residency, there is also potential relief available to Canadian citizens that are caught by this *Substantial Presence Test*:
  - You are present in the USA for less than 183 days in the current year;
  - You maintain a "tax home" in a foreign country during the year; **and**
  - You have a "closer connection" to the foreign country (Canada) where your "tax home" is than to the USA
3. There are exceptions to the Substantial Presence Test. The following are a few examples:
  - i) Days you are in the United States for less than 24 hours - when you are in transit between two places outside the United States;
  - ii) Days you are in the United States as a crew member of a foreign vessel;
  - iii) Days you can classify "***exempt individual***."

The term "***exempt individual***" does not refer to someone exempt from USA taxes, but to anyone that claims exemption from counting days of presence in the United States. For example - a teacher or trainee temporarily in the United States under a "J" or "Q" visa, who substantially complies with the requirements of the visa. For a full list of exemptions and exceptions, please refer to the IRS substantial presence test.

If you exclude days of presence in the United States because you fall under a special category, you must file IRS Form 8840 (Closer Connection Exception Statement for Aliens) or Form 8843 (Statement of exempt individuals and individuals with a medical condition).

USA Tax (*IRS Reporting*) Impact on Canadians Vacationing  
Long-term in the USA  
Canada and USA - Tax Reporting

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4. HOW TO REPORT A CLOSER CONNECTION TO CANADA?

The 2016 IRS Form 8840 is due to be filed with the IRS on or before June 15, 2017.

The IRS may assess a substantial financial penalty for not filing **IRS Form 8840** to claim the "Closer Connection Exemption Statement for Aliens." on a timely basis.

Please review and complete the Schedule below and return this information to our office.

1. \_\_\_\_\_  
Name
2. Days in USA in 2016 \_\_\_\_\_ Days  
Days in USA in 2015 \_\_\_\_\_ Days  
Days in USA in 2014 \_\_\_\_\_ Days  
Days in USA in 2013 \_\_\_\_\_ Days
3. Do you own a vacation home in the USA?  
  
\_\_\_\_\_  
City State

\_\_\_\_\_  
Name on title for your USA property (if not rental/leased)

4. Are you a USA Citizen Yes\_\_\_\_\_ No\_\_\_\_\_

Please contact one of the partners to discuss this time-sensitive critical issue.

Yours very truly,

RZN, LLP



Enclosure (IRS Form 8840)

Ref: z:\document\masters\master114A

**RZN, LLP**

CHARTERED PROFESSIONAL ACCOUNTANTS & LICENSED PUBLIC ACCOUNTANTS



Form **8840****Closer Connection Exception Statement for Aliens**

OMB No. 1545-0074

Department of the Treasury  
Internal Revenue Service▶ Attach to Form 1040NR or Form 1040NR-EZ.  
▶ Information about Form 8840 and its instructions is at [www.irs.gov/form8840](http://www.irs.gov/form8840).

For the year January 1—December 31, 2016, or other tax year

**2016**Attachment  
Sequence No. **101**

Your first name and initial

beginning

Last name

Your U.S. taxpayer identification number, if any

Fill in your  
addresses only if  
you are filing this  
form by itself and  
not with your U.S.  
tax return

Address in country of residence

Address in the United States

**Part I General Information**

- 1 Type of U.S. visa (for example, F, J, M, etc.) and date you entered the United States ▶ \_\_\_\_\_
- 2 Of what country or countries were you a citizen during the tax year? \_\_\_\_\_
- 3 What country or countries issued you a passport? \_\_\_\_\_
- 4 Enter your passport number(s) ▶ \_\_\_\_\_
- 5 Enter the number of days you were present in the United States during:  
2016 \_\_\_\_\_ 2015 \_\_\_\_\_ 2014 \_\_\_\_\_
- 6 During 2016, did you apply for, or take other affirmative steps to apply for, lawful permanent resident status in the United States or have an application pending to change your status to that of a lawful permanent resident of the United States? See instructions . . . . . ☐ Yes ☐ No

**Part II Closer Connection to One Foreign Country** (see instructions)

- 7 Where was your tax home during 2016? \_\_\_\_\_
- 8 Enter the name of the foreign country to which you had a closer connection than to the United States during 2016.  
▶ \_\_\_\_\_  
Next, complete Part IV.

**Part III Closer Connection to Two Foreign Countries** (see instructions)

- 9 Where was your tax home on January 1, 2016? \_\_\_\_\_
- 10 After changing your tax home from its location on January 1, 2016, where was your tax home for the remainder of 2016?  
\_\_\_\_\_  
\_\_\_\_\_
- 11 Did you have a closer connection to each foreign country listed on lines 9 and 10 than to the United States for the period during which you maintained a tax home in that foreign country? . . . . . ☐ Yes ☐ No  
If "No," attach an explanation.
- 12 Were you subject to tax as a resident under the internal laws of (a) either of the countries listed on lines 9 and 10 during all of 2016 or (b) both of the countries listed on lines 9 and 10 for the period during which you maintained a tax home in each country? . . . . . ☐ Yes ☐ No
- 13 Have you filed or will you file tax returns for 2016 in the countries listed on lines 9 and 10? . . . . . ☐ Yes ☐ No  
If "Yes" to either line 12 or line 13, attach verification.  
If "No" to either line 12 or line 13, please explain ▶ \_\_\_\_\_

Next, complete Part IV.

**Part IV Significant Contacts With Foreign Country or Countries in 2016**

- 14 Where was your regular or principal permanent home located during 2016? See instructions. \_\_\_\_\_
- 15 If you had more than one permanent home available to you at all times during 2016, list the location of each and explain ► \_\_\_\_\_
- 16 Where was your family located? \_\_\_\_\_
- 17 Where was your automobile(s) located? \_\_\_\_\_
- 18 Where was your automobile(s) registered? \_\_\_\_\_
- 19 Where were your personal belongings, furniture, etc., located? \_\_\_\_\_
- 20 Where was the bank(s) with which you conducted your routine personal banking activities located?  
 a \_\_\_\_\_ c \_\_\_\_\_  
 b \_\_\_\_\_ d \_\_\_\_\_
- 21 Did you conduct business activities in a location other than your tax home? . . . . . ☐ Yes ☐ No  
 If "Yes," where? \_\_\_\_\_
- 22a Where was your driver's license issued? \_\_\_\_\_
- b If you hold a second driver's license, where was it issued? \_\_\_\_\_
- 23 Where were you registered to vote? \_\_\_\_\_
- 24 When completing official documents, forms, etc., what country do you list as your residence? \_\_\_\_\_
- 25 Have you ever completed:  
 a Form W-8BEN or any other W-8 form (relating to foreign status)? . . . . . ☐ Yes ☐ No  
 b Form W-9, Request for Taxpayer Identification Number and Certification? . . . . . ☐ Yes ☐ No  
 c Form 1078, Certificate of Alien Claiming Residence in the United States? . . . . . ☐ Yes ☐ No  
 d Any other U.S. official forms? If "Yes," indicate the form(s) ► \_\_\_\_\_ ☐ Yes ☐ No
- 26 In what country or countries did you keep your personal, financial, and legal documents? \_\_\_\_\_
- 27 From what country or countries did you derive the majority of your 2016 income? \_\_\_\_\_
- 28 Did you have any income from U.S. sources? . . . . . ☐ Yes ☐ No  
 If "Yes," what type? \_\_\_\_\_
- 29 In what country or countries were your investments located? See instructions. \_\_\_\_\_
- 30 Did you qualify for any type of "national" health plan sponsored by a foreign government? . . . . . ☐ Yes ☐ No  
 If "Yes," in what country? \_\_\_\_\_  
 If "No," please explain ► \_\_\_\_\_  
 If you have any other information to substantiate your closer connection to a country other than the United States or you wish to explain in more detail any of your responses to lines 14 through 30, attach a statement to this form.

**Sign here only if you are filing this form by itself and not with your U.S. tax return**

Under penalties of perjury, I declare that I have examined this form and the accompanying attachments, and to the best of my knowledge and belief, they are true, correct, and complete.

\_\_\_\_\_  
 Your signature

\_\_\_\_\_  
 Date



Section references are to the U.S. Internal Revenue Code, unless otherwise specified.

## Future Developments

For the latest information about developments related to Form 8840 and its instructions, such as legislation enacted after they were published, go to [www.irs.gov/form8840](http://www.irs.gov/form8840).

## General Instructions

### Purpose of Form

Use Form 8840 to claim the closer connection to a foreign country(ies) exception to the substantial presence test. The exception is described later and in Regulations section 301.7701(b)-2.

**Note:** You are not eligible for the closer connection exception if any of the following apply.

- You were present in the United States 183 days or more in calendar year 2016.
- You are a lawful permanent resident of the United States (that is, you are a green card holder).
- You have applied for, or taken other affirmative steps to apply for, a green card; or have an application pending to change your status to that of a lawful permanent resident of the United States.

— Even if you are not eligible for the closer connection exception, you may qualify for nonresident status by reason of a treaty. See the instructions for line 6 for more details.

### Who Must File

If you are an alien individual and you meet the closer connection exception to the substantial presence test, you must file Form 8840 with the IRS to establish your claim that you are a nonresident of the United States by reason of that exception. Each alien individual must file a separate Form 8840 to claim the closer connection exception.

For more details on the substantial presence test and the closer connection exception, see Pub. 519, U.S. Tax Guide for Aliens.

**Note:** You can download forms and publications at [IRS.gov](http://IRS.gov).

### Substantial Presence Test

You are considered a U.S. resident if you meet the substantial presence test for 2016. You meet this test if you were physically present in the United States for at least:

- 31 days during 2016 and
- 183 days during the period 2016, 2015, and 2014, counting all the days of physical presence in 2016 but only 1/3

the number of days of presence in 2015 and only 1/6 the number of days in 2014.

#### Days of presence in the United States.

Generally, you are treated as being present in the United States on any day that you are physically present in the country at any time during the day.

However, you do not count the following days of presence in the United States for purposes of the substantial presence test.

1. Days you regularly commuted to work in the United States from a residence in Canada or Mexico.
2. Days you were in the United States for less than 24 hours when you were traveling between two places outside the United States.
3. Days you were temporarily in the United States as a regular crew member of a foreign vessel engaged in transportation between the United States and a foreign country or a possession of the United States unless you otherwise engaged in trade or business on such a day.
4. Days you were unable to leave the United States because of a medical condition or medical problem that arose while you were in the United States.
5. Days you were an exempt individual.

In general, an exempt individual is a (a) foreign government-related individual (b) teacher or trainee, (c) student, or (d) professional athlete competing in a charitable sports event. For more details, see Pub. 519.

**Note:** If you qualify to exclude days of presence in the United States because you were an exempt individual (other than a foreign government-related individual) or because of a medical condition or medical problem (see item 4 above), you must file Form 8843, Statement for Exempt Individuals and Individuals With a Medical Condition.

### Closer Connection Exception

Even though you would otherwise meet the substantial presence test, you will not be treated as a U.S. resident for 2016 if:

- You were present in the United States for fewer than 183 days during 2016,
- You establish that during 2016, you had a tax home in a foreign country, and
- You establish that during 2016, you had a closer connection to one foreign country in which you had a tax home than to the United States, unless you had a closer connection to two foreign countries.

### Closer Connection to Two Foreign Countries

You can demonstrate that you have a closer connection to two foreign countries (but not more than two) if all five of the following apply.

1. You maintained a tax home as of January 1, 2016, in one foreign country.
2. You changed your tax home during 2016 to a second foreign country.
3. You continued to maintain your tax home in the second foreign country for the rest of 2016.
4. You had a closer connection to each foreign country than to the United States for the period during which you maintained a tax home in that foreign country.
5. You are subject to tax as a resident under the tax laws of either foreign country for all of 2016 or subject to tax as a resident in both foreign countries for the period during which you maintained a tax home in each foreign country.

### Tax Home

Your tax home is your main place of business, employment, or post of duty regardless of where you maintain your family home. If you do not have a regular or main place of business because of the nature of your work, then your tax home is the place where you regularly live. If you do not fit either of these categories, you are considered an itinerant and your tax home is wherever you work.

### Establishing a Closer Connection

You will be considered to have a closer connection to a foreign country than to the United States if you or the IRS establishes that you have maintained more significant contacts with the foreign country than with the United States.

Your answers to the questions in Part IV will help establish the jurisdiction to which you have a closer connection.

### When and Where To File

If you are filing a 2016 Form 1040NR or Form 1040NR-EZ, attach Form 8840 to it. Mail your tax return by the due date (including extensions) to the address shown in your tax return instructions.

If you do not have to file a 2016 tax return, mail Form 8840 to the Department of the Treasury, Internal Revenue Service Center, Austin, TX 73301-0215 by the due date (including extensions) for filing Form 1040NR or Form 1040NR-EZ.

## Penalty for Not Filing Form 8840

If you do not timely file Form 8840, you will not be eligible to claim the closer connection exception and may be treated as a U.S. resident.

You will not be penalized if you can show by clear and convincing evidence that you took reasonable actions to become aware of the filing requirements and significant steps to comply with those requirements.

## Specific Instructions

### Part I

#### Line 1

If you had a visa on the last day of the tax year, enter your visa type and the date you entered the United States. If you do not have a visa, enter your U.S. immigration status on the last day of the tax year and the date you entered the United States. For example, if you entered under the visa waiver program, enter "VWP", the name of the Visa Waiver Program country and the date you entered the United States.

#### Line 6

If you checked the "Yes" box on line 6, do not file Form 8840. You are not eligible for the closer connection exception. However, you may qualify for nonresident status by reason of a treaty. See Pub. 519 for details. If so, file Form 8833, Treaty-Based Return Position Disclosure Under Section 6114 or 7701(b), with your Form 1040NR or Form 1040NR-EZ.

### Parts II and III

Complete Part II or Part III (but not both) depending on the number of countries to which you are claiming a closer connection. If you are claiming a closer connection to one country, complete Part II. If you are claiming a closer connection to two or more countries, complete Part III. After completing Part II or Part III, complete Part IV.

### Part IV

#### Line 14

A "permanent home" is a dwelling unit (whether owned or rented, and whether a house, an apartment, or a furnished room) that is available at all times, continuously and not solely for short stays.

#### Line 29

For stocks and bonds, indicate the country of origin of the stock company or debtor. For example, if you own shares of a U.S. publicly traded corporation, the investment is considered located in the United States, even though the shares of stock are stored in a safe deposit box in a foreign country.

**Paperwork Reduction Act Notice.** We ask for the information on this form to carry out the Internal Revenue laws of the United States. Section 7701(b) and its regulations require that you give us the information. We need it to determine if you meet the closer connection exception to the substantial presence test.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The average time and expenses required to complete and file this form will vary depending on individual circumstances. For the estimated averages, see the instructions for your income tax return.

If you have suggestions for making this form simpler, we would be happy to hear from you. See the instructions for your income tax return.