



Cross-Border Structure for US Real Estate Investment

About Us

Madan CPA is one of Mississauga's best accounting firms. Whether you need advice, help with your statements, or guidance on your next business move, we are by your side. At Madan CPA, we know how important the experience is. We know how critical it is to have someone in your corner that knows your unique situation.

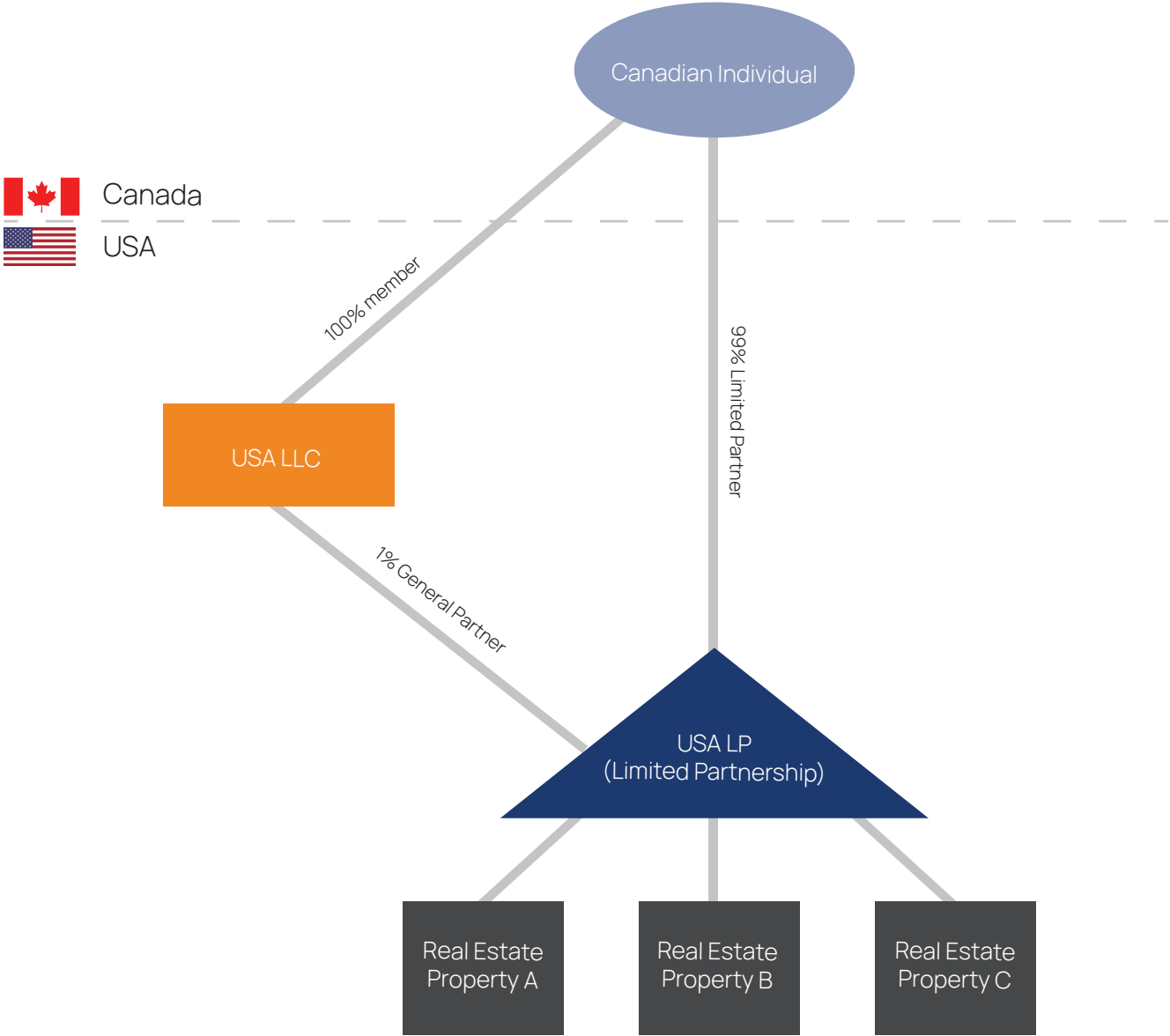
Whether you are living, working, or investing on either side of the border, we can help you better understand your tax obligations and devise a plan that works for you. Our cross-border tax services are catered towards both individuals and corporations. We develop specific tax planning that minimizes your overall tax obligations through eliminating double taxation while ensuring full compliance with the IR S and CRA. For corporations that are looking to move and conduct business across the border, we can devise a cross-border corporate structure that will reduce overall tax liability.

Investment in U.S. real estate has become a common practice. If you are a Canadian investing in vacation homes or rental property across the border, it is necessary to be aware of all the associated taxes. Owning a property in the U.S. would essentially include federal and state taxes in addition to the real estate tax for Canadians. Two sets of regulations and tax laws for U.S. real estate investment would make the paperwork tedious and complicated. However, professionals at Madan CPA are well versed in U.S. real estate tax for Canadians and can provide unique ways to ensure your investment plan allows for minimization of taxes. Our optimal tax structure will guarantee a reduction in your tax payments.

We value you as a person, and not just a customer. Your taxes are important to us, because they are important to you. Our knowledgeable and friendly staff will always take the time to go the extra mile. Among all the accounting firms in Mississauga, we're special. Our unique size enables us to answer the most complex of problems, yet provide personal attention to all our clients.

DIAGRAM A

Option 1: Limited Partnership
Canadian Individual Partner, Without LLC Owning Properties



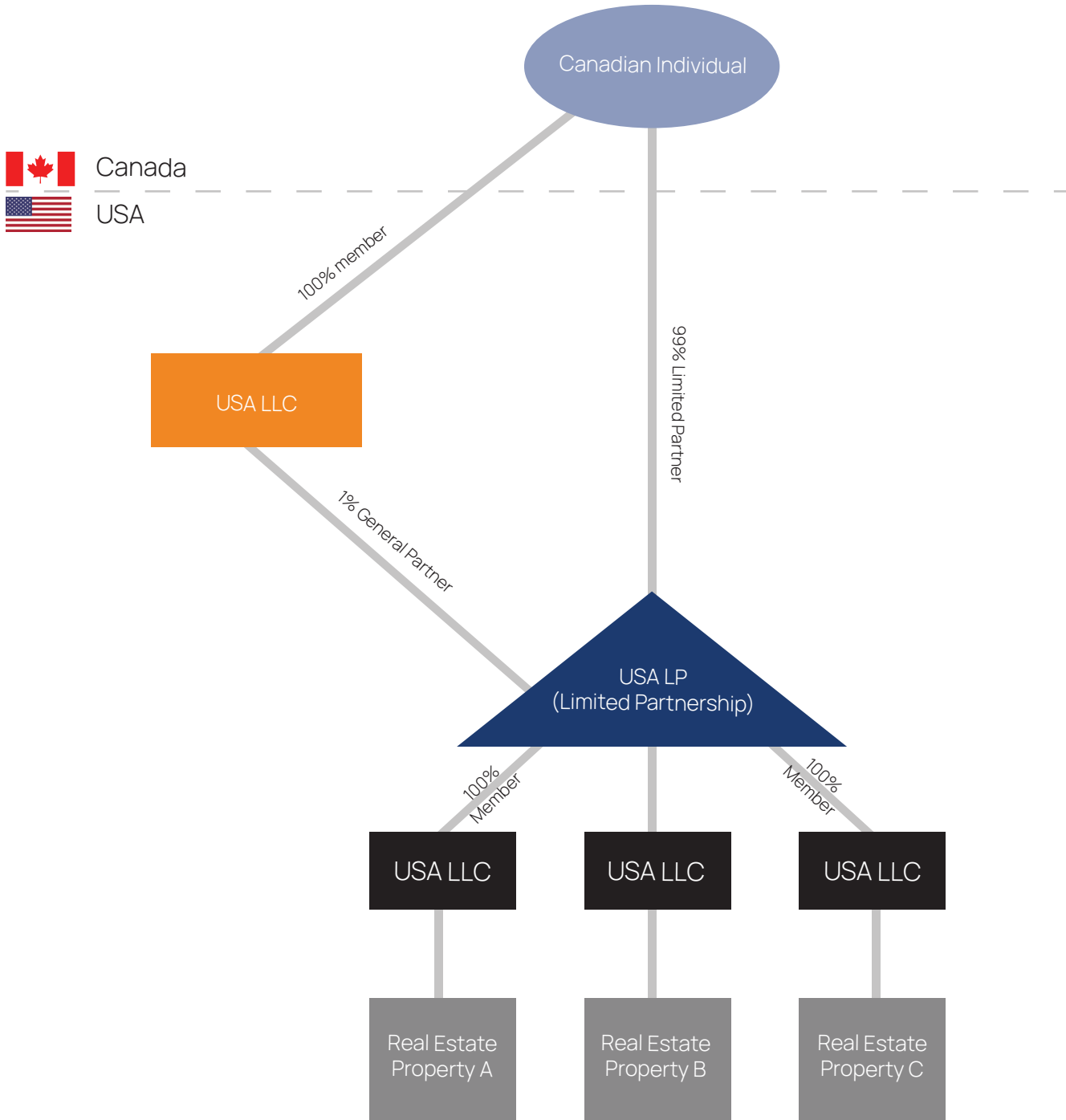
Description:
The Limited Partnership owns the real estate properties directly.

Scenario:
If the tenant from property A sues the LP, all assets owned by the LP (including properties B & C) can be at risk.

- Pros:**
- No double taxation
 - Liability protection
 - Ease of doing business
- Cons:**
- Multiple returns to file

DIAGRAM B

Option 2: Limited Partnership
 Canadian Individual Partner, Without LLC Owning Properties



Description:
 Each real estate property is owned by an LLC. The LP is 100% owner of all the LLCs.

Scenario:
 If the tenant from property A sues the LLC it is owned by, then only assets under that LLC will be at risk. The other properties owned by the other LLCs will not be at risk.

- Pros:**
- No double taxation
 - Liability Protection
 - Ease of doing business
 - Additional asset protection for each real estate property
- Cons:**
- Multiple returns to file

DIAGRAM A & B: FEDERAL TAX REQUIREMENTS & ACCOUNTING FEES

| Entity | Jurisdiction | Form | Deadline | Annual Fees |
|---|--------------|---|-------------------------------|-------------|
| USA LP | IRS | Form 1065 (Return of Partnership Income) | March 15 | \$1,650* |
| | CRA | Form T1135 (Foreign Income Verification Statement) | March 31 | \$300 |
| USA LLC/ General Partner LLC | IRS | Annual Return | April 15 | \$200 |
| General Partner LLC | IRS | Form 5472 (Reporting Foreign Related Party Transactions) | April 15 | \$500 |
| | CRA | Form T1134 (Information Return Relating to Controlled & Non-Controlled Foreign Affiliates) | 10 Months from year-end | \$850** |
| Canadian Individual (Limited Partner) | IRS | Form 1040/1040NR (U.S. Resident/Non- Residential Alien Income Tax Return) | April 15 | \$450 |
| | CRA | T1 (Personal Tax Return) | April 30 | \$270 |

Please Note:

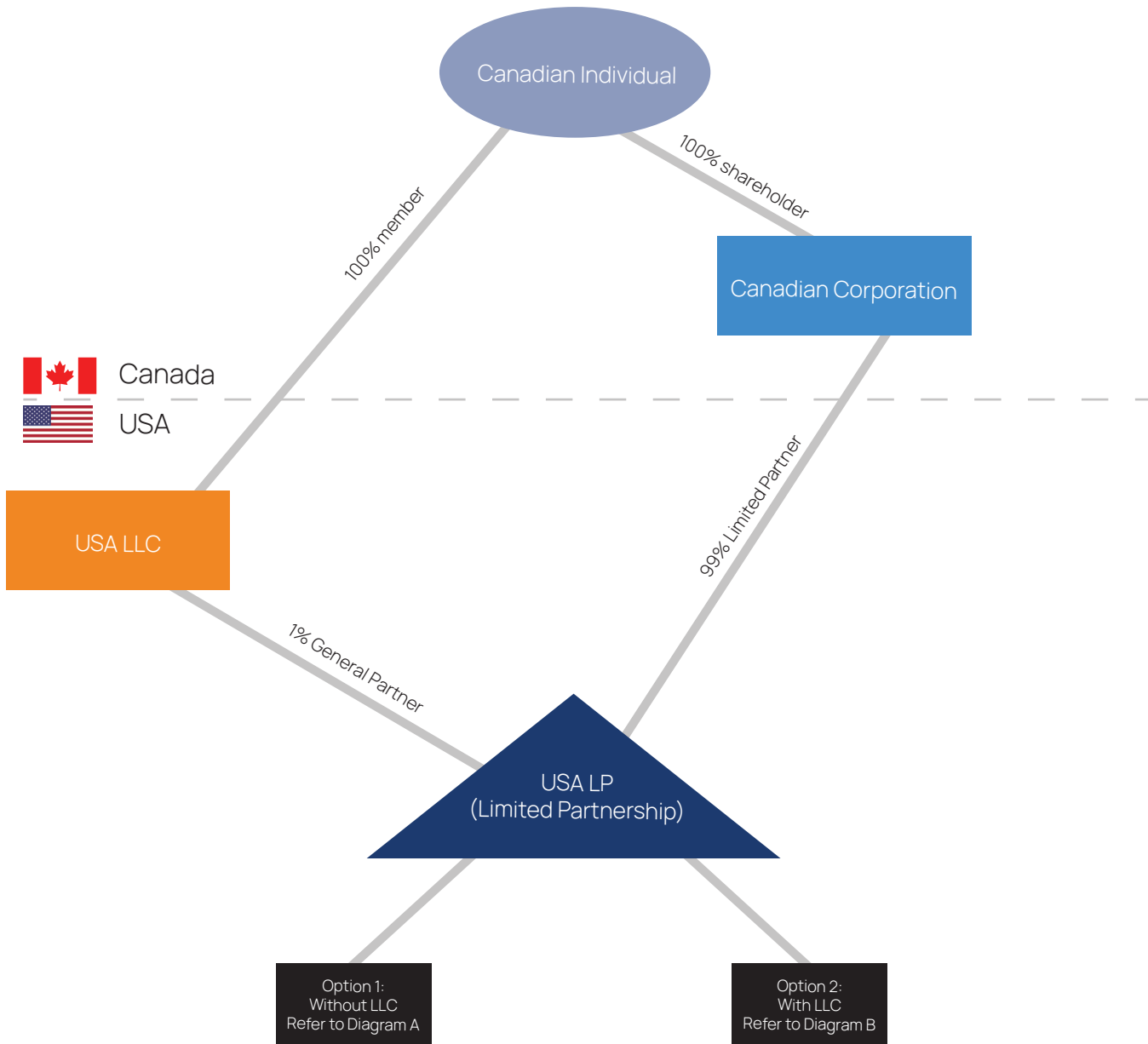
*\$100 extra for 2nd property onward

**\$650 extra for T1134 supplement

- Disbursements are extra
- Bookkeeping (optional) for \$80/hour

DIAGRAM C

Limited Partnership
Canadian Corporation as Limited Partner



- | | |
|--|--|
| <p>Pros:</p> <ul style="list-style-type: none"> • No double taxation • Liability protection • Ease of doing business • Additional protection for limited partner • Additional asset protection for each real estate property owned by an LLC | <p>Cons:</p> <ul style="list-style-type: none"> • Multiple returns to file |
|--|--|

DIAGRAM C: FEDERAL TAX REQUIREMENTS & ACCOUNTING FEES

| Entity | Jurisdiction | Form | Deadline | Annual Fees |
|--|--------------|--|-------------------------------|-------------|
| USA LP | IRS | Form 1065 (Return of Partnership Income) | March 15 | \$1,650* |
| | CRA | Form T1135 (Foreign Income Verification Statement) | March 31 | \$300 |
| USA LLC/ General Partner LLC | IRS | Annual Return | April 15 | \$200 |
| | IRS | Form 5472 (Reporting Foreign Related Party Transactions) | April 15 | \$500 |
| Canadian Corporation (Limited Partner) | IRS | Form 1120F (U.S. Corporate Income Tax return of a Foreign Corporation) | April 15 | \$750 |
| | CRA | T2 (Holding Corporation Tax Return) | June 30 | \$1,000 |
| Canadian Individual | CRA | Form T1134 (Information Return Relating to Controlled and Non-controlled Foreign Affiliates) | 10 Months from year-end | \$850 |

Please Note:

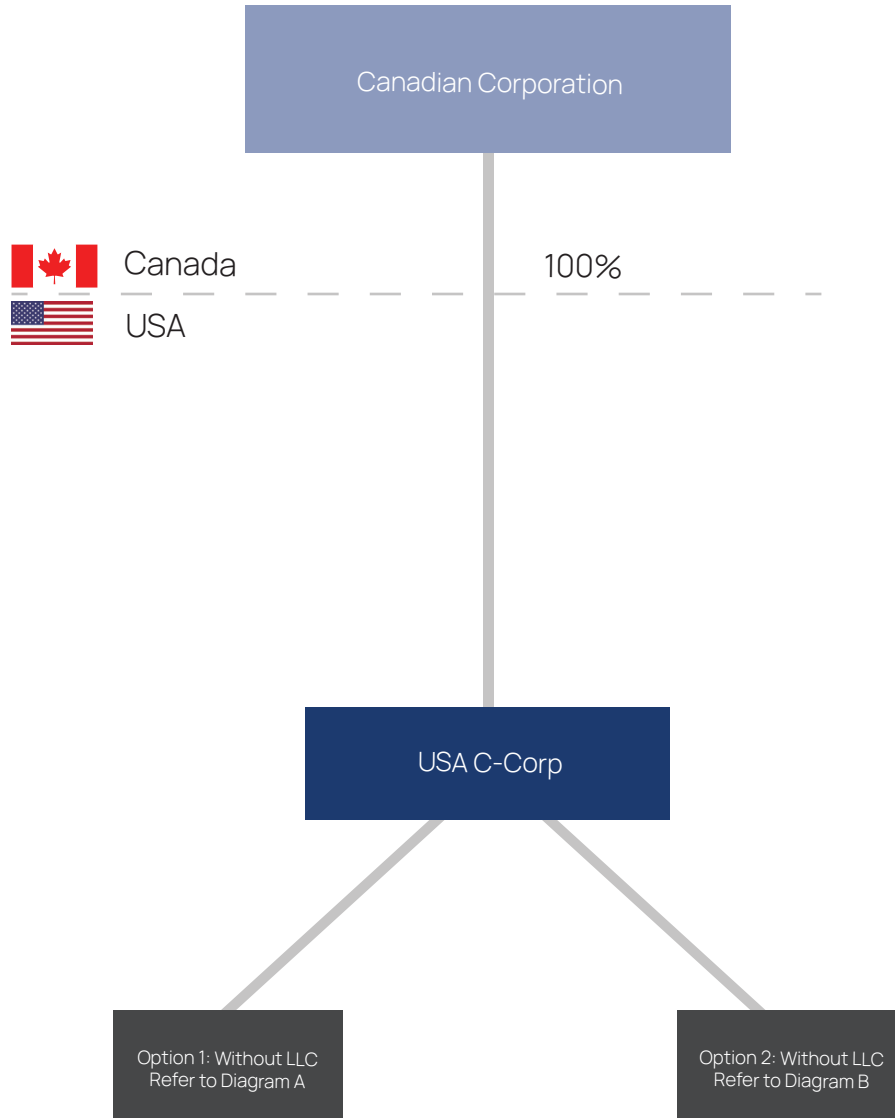
*\$100 extra for 2nd property onward

**\$650 extra for T1134 supplement

- Disbursements are extra
- Bookkeeping (optional) for \$80/hour

DIAGRAM D

C-Corp. as Operating Entity,
Canadian Corp. as Shareholder of C-Corp



Pros:

- Liability protection
- Low Corporate U.S. tax rate
- Ease of doing business
- Tax Deferral for active income (wholesalers, flippers)

Cons:

- Capital Gain Tax treatment not available
- FAPI for passive income

DIAGRAM D: FEDERAL TAX REQUIREMENTS & ACCOUNTING FEES

| Entity | Jurisdiction | Form | Deadline | Annual Fees |
|--|--------------|--|-------------------------|-------------|
| USA C-Corp | IRS | Form 1120 (U.S. Corporation Income Tax Return) | April 15 | \$1,650* |
| | IRS | Form 5472 (Reporting Foreign Related Party Transactions) | April 15 | \$500 |
| Canadian Corporation (Federal/ Ontario-BC) | CRA | T2 (Holding Corporation Tax Return) | June 30 | \$1,000 |
| | CRA | Form T1134 (Information Return Relating to Controlled and Non-controlled Foreign Affiliate) | 10 Months from year-end | \$850 |
| USA LLC | IRS | Annual Return | April 15 | \$200 |

Please Note:

*\$100 extra for 2nd property onward

- Disbursements are extra
- Bookkeeping (optional) for \$80/hour

MADAN CPA FEES

| Set-Up Free | Diagram | Price |
|--|------------|---------|
| USA General Partner LLC & Limited Partnership LP | A, B, C | \$1,500 |
| Canadian Corporation (Federal / Ontario) | D | \$918 |
| USA C-Corporation | A, B, C, D | \$650** |
| Incorporation Fee | | Price |
| USA LLC / C-Corp | A, B, C, D | \$554* |
| USA LP | A, B, C | \$470* |


Please Note:

* The fees above are based on the formation in the state of Wyoming.


Fees may vary according to the state(s).

** Includes EIN Application Fee

If you require assistance in opening a bank account and virtual offices to support your business, our team at Madan CPA can connect you with the right people. Contact us today for more information:

 info@madanca.com

 (905) 268-0150

 (905) 507-9193