

# Sonya Dolguino

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## SPEAKERS

Sonya Dolguino, Pat Bolland

### Pat Bolland 00:03

I don't know whether you caught it, but in the news about a week ago, there was an article about the millions of Americans that are now eligible to be Canadians, and they're moving to Canada. Well, what does that mean? Sonia Dolguino is a cross border tax consultant. She's also co author of Your Move to Canada. Sonia, a real pleasure to meet you.

### Sonya Dolguino 00:37

Thank you so much for having me on the podcast.

### Pat Bolland 00:41

I introed with this news article about millions of Americans eligible for Canadian citizenship and moving to Canada. Do you think that's going to happen?

### Sonya Dolguino 00:48

I think so. I don't think millions of them are going to move, but I think quite a few will. So what this news article was about was this recent Bill, C-3 that became law in December 2025 and what this law does is it removes generational limits on getting Canadian Citizenship by Descent. So what it effectively means is Americans, if they have a parent, grandparent, great-grandparent, who was a Canadian citizen, they are also now Canadian citizens by law. They just have to prove it and go through that process. So there's a significant amount of Americans who have some Canadian lineage, they go through the process, they can get Canadian citizenship too. Now, will they actually move to Canada? I don't think all of them will. I don't think all of them will go through the paperwork to actually get this Canadian passport, but a significant amount definitely are.

### Pat Bolland 01:37

Well, you're a tax expert for cross border stuff. How many Canadians actually go to America. I mean, I'm not talking snowbirds, I'm talking people that go and move there permanently.

**Sonya Dolguina** 01:47

So how many Canadians go to move to the US permanently?

**Pat Bolland** 01:50

Yes, yeah.

**Sonya Dolguina** 01:51

So recent data from Stats Canada did show that that percentage, interestingly, has actually been declining over the past couple decades to go permanently. So that's looking at Canadian residents who went and got a permanent residency in the US or a green card. So that amount, so that amount has been going down. It looks like in the last data from a couple years ago, it's about 20,000 people. But that said, those statistics actually don't capture a huge category of mobility, which are Canadians who are going down to live in the US on a temporary visa, such as a H, 1b, or a TN. So those are folks who don't necessarily ever get a green card, but they could still live and work in the US, and, you know, start investing in the US and have US tax exposure and financial issues of the US. So they could be there for a number of years, but they ultimately will likely return to Canada. So they're not captured in that statistic.

**Pat Bolland** 02:44

A lot of people that I know in this area, you know, go down for holidays, for Florida. A lot of a lot of them Quebec, Ontario, head down to Florida. If you're out west, you head down to Phoenix, Arizona. Go to California. And in many cases, they own real estate there. What are the key hurdles going back and forth and owning real estate in both countries.

**Sonya Dolguina** 03:05

Yeah, good question. So I'll start with the Canadian snowbirds in your example, and then I'll chat about, you know, Americans who are maybe buying Canadian property. So the big one is, if someone owns personal use property in the US, they don't necessarily trigger US tax filing obligations, as long as you know, they stay within a certain number of days in the US but once they sell that real estate, if a Canadian who doesn't have any US status, if they sell us real estate, they may have to pay capital gains taxes. And a lot of our clients that we've seen, given the devaluation in Canadian dollar, they sell their US property, and they actually have a pretty significant capital gain in Canada, just because, since they bought their property, maybe the dollar was on par beforehand, and then once they sold it, the Canadian dollar has gone down a lot. So it could result in a pretty big capital gains tax in Canada, and then also in the US. So a big hurdle is that once you sell us property, if you're not a US person, there's something called FIRPTA withholding in the US so if you're not a US person, you sell us property, there could be a withholding tax on the up to 15% of the proceeds on the sale of the home, and in order to recover part of that, you do have to file a US tax return, and so that requires getting a US Tax ID, filing a US non resident return. If the property is in a state that has a state income tax, you have to file a separate return. And I've definitely seen some examples. Is if these, you know, us filings aren't done perfectly into a T some people have had to wait years to get some of that tax withholding back. So I definitely suggest that folks who are interested in selling US property, and they're not American citizens or green card holders or residents, work with a good cross border accountant who can help you with that. Um, so next we could chat about kind of American. Indians want to buy property in Canada, or

Americans who are moving to Canada, what are some of the real estate considerations? So a really common one I'm talking to people about these days is, well, they moved to Canada, but they haven't sold their US home yet, and they're worried about selling the US property after they move to Canada. And do they have to pay a big capital gains tax and to the CRA. So the answer is not necessarily. When someone moves to Canada and becomes a Canadian tax resident, you get something called a step up in your cost basis for capital gains purposes, which means your capital gain in Canada on the you know, the sale of assets, including investments and property, is the value. Is the difference between what you sell it for and what it was worth when you came to Canada. So if someone sells their property pretty shortly after arriving in Canada, there might not be a capital gain. And even if there is, it could You could also use selling expenses such as realtor commissions and legal fees to offset that. Another thing is, how is the US going to tax of the sale of that property. You in Canada, we have an unlimited principal residence exemption, but the US actually caps it at \$250,000 per person, or \$500,000 for couples filing jointly. But in order to use that exemption, you had to have used that property as your home for at least two out of the last five years. So when I talk to Americans and say, oh, you know, I don't think I'm going to sell my home yet. I'm going to move to Canada and just hold on to it, I say, yeah, that shouldn't be a problem, but you have a bit of a deadline to actually sell that home with a note, you know, roughly three, four years after using it as a home. Otherwise you lose the ability to shelter up to \$500,000 of capital gains in the US.

**Pat Bolland 06:40**

You are blowing my mind, but I guess I shouldn't be. I was born in the United States. My parents were working down there at the time and raised in Canada, so I have a dual citizenship, so I know I have to pay taxes in both countries, and my experience has been that I pay higher taxes in Canada and lower in the United States on a federal level, at least, is that your experience as well?

**Sonya Dolguina 07:06**

Yeah, so it's always interesting having this conversation about US tax rates versus Canadian tax rates on the surface level, yes, oftentimes Canadian tax rates are higher than US tax rates, especially when you're comparing someone who's only subject to US federal tax so you know someone like you who lives in Canada, or someone maybe who lives in Nevada or Florida, and because the US allows for joint filings with married couples, that can result in the effective rate being lower for married couples, especially when there's a discrepancy Between earnings. But whenever we have this conversation, I kind of want to take folks to take a step back and say, Okay, what? What do our Canadian taxes actually pay for? And because you ultimately have to pay for these things potentially out of pocket in the US, for example, health care costs in the US, you have potential health care premiums that you pay out of pocket and additional out of pocket costs and co pays and deductibles, unless you have, you know, a stellar plan through your employer, and these are things that potentially are covered by our tax dollars in Canada, another example is post secondary education. It's heavily subsidized in Canada through our taxes. I've spoken to people who've Americans who've moved to Canada, and they've paid for their children's University in Canada, and they say if I had to pay for us tuition, it would have been five or 10 times more expensive for a four year degree. And also, property taxes oftentimes a bit lower in Canada compared to the US. So on the surface, yes, Canadian income taxes can be higher, but we want to look at what are these taxes paying for? And like holistically, are our out of pocket costs higher

in Canada than they are than they would have been if I lived in the US, not necessarily. It really depends. It's on a case by case basis.

**Pat Bolland 08:50**

Yeah, true, and state by state too. You know, usually when you pay your taxes in Canada, my experience again, has been that, you know, you pay your provincial and your federal at the same time. They're there in separate filings, but they're but if down the states, you file federally, then you file by state. And I lived in New Jersey, and it was outrageous. California, even worse, yeah.

**Sonya Dolguina 09:11**

And also, some states have city tax filings, like, I think New York City, I know in Oregon, they have like, county or state level five or sorry, county or city level filings. So yeah, the the taxes don't necessarily end at the state.

**Pat Bolland 09:28**

That's what taxes are all about, speaking of taxes and not avoiding taxes, but taking advantage of what's available to you. Here in Canada, we have our RSPs. We have tax free savings accounts. In the States, they have 401 ks and IRAs. What are the differences people need to be aware of?

**Sonya Dolguina 09:47**

Yeah, great question. So the 401 k and the RSP, they're both pre tax retirement accounts. You know, you make a contribution, you get a tax deduction. Any growth within the account grows tax free, and then you pay taxes when you take the funds out. So under the Canada US tax treaty, generally, both countries recognize the tax deferred status of the accounts, which means, if you have an American who has a traditional IRA or 401 K they moved to Canada, Canada will recognize the tax deferred treatment. If you have a Canadian who moves to the US with an RRSP, US will recognize the tax deferred treatment of the IRS federally, but not all states recognize tax treaties. For example, California does not recognize the tax free status of an RRSP, so you actually have to pay taxes on your earnings within the RSP in those sorts of states. So those are ones a really big difference that I always talk to clients about who are moving from the US and have an IRA, is the difference for estate planning purposes. So, as you may know, when you have an RSP upon the death of the last surviving spouse, or an RSP or RIF, you're deemed to have distributed it upon death, which can result in a huge tax bill. You know, up to half of that account going to the CRA whereas the US with the IRA, even if someone is in Canada and they passed away in it with an IRA or 401, K, there's actually no deemed distribution at death. There's something called an inherited IRA rule. So it continues being a tax deferred account for your beneficiary, and they just have to make minimum distributions and they pay taxes at their level. So it's actually and generally, if you leave it to like a child, for example, they have to wind it down over 10 years. So it actually ends up being quite tax efficient to have an IRA or a 401, K rather than an RRSP, wow.

**Pat Bolland 11:39**

There are a lot of moving parts. Yes, what are the key strategies, or what are the key tax planning in things you have to think about when you're moving between the two countries? I mean, boil it down, so I don't have to go through all those parts.

**Sonya Dolguina 11:56**

Yeah, well, you know, I wrote a whole book about it, so there's so many but, yeah, buy the book if you want to learn more. But I'll go through a couple of big ones that we see often. We could first talk about leaving Canada and going to the US. So when someone ceases Canadian tax residency, there's something called a departure tax, and it's a deemed disposition of assets at fair market value. So you're treated, for tax purposes, as if you sold those assets, even though you didn't sell anything. So generally, the Canadian registered accounts and Canadian real estate doesn't apply, but things like investments in your non registered accounts can be can trigger the deemed disposition. So in terms of planning, you kind of want to make sure that you know about this ahead of time, see if there's any strategies. For example, you can make an RRSP contribution if you have room to offset that capital gain. And on the US side, you need to file an election with your US tax return to get a step up in cost basis on the US end for assets that were subject to deemed disposition. Otherwise, you don't want to maintain your original cost basis in the US and pay tax again on that gain when you eventually sell that asset, since Canada already taxed that gain with the departure tax regime. So there's an election you could file. So that's a really important, important one, a big one when moving between countries, is once you're going to be a US taxpayer, whether that's a Canadian moving to the US or a US citizen moving to Canada, you want to avoid certain investments, such as non US mutual funds or non US ETFs. These are can be known as P fix for us purposes, and there are potentially pretty big issues with them. They require separate IRS filings for each individual PFIC held, and on top of that, there's some punitive rules around them for us purposes. So when we have a Canadian moving to the US again, look at your portfolio. What kind of investments do you have if it's all Canadian ETFs and mutual funds? And you know, generally, this doesn't apply if they're within RRSPs or RIFs, but if they're like in a TFSA or RSP or a non registered you're going to want to potentially look at not holding those anymore and holding, say, individual securities or US based ETFs instead.

**Pat Bolland 14:14**

Wow, maybe just sell everything and walk across the border with cash.

**Sonya Dolguina 14:18**

Well, you know that's the thing is. People say, Oh, what if I if I sell anything, I'm triggering capital gains. Well, if they're in a registered account, like an RRSP or a TFSA or an RSP, there's no capital gains to pay if you trigger those gains. If they're in a non registered account, well, they're subject to departure taxes anyways, so it may make sense to just sell them. I'll give a quick example of some strategies for Americans moving to Canada that some one big one that we talk about is the Roth IRA. So it's interesting, if a Canadian moves to the US and has a TFSA, or an American moves in Canada, the IRS doesn't acknowledge the tax free status of the TFSA. So that's something. That people need to keep in mind, it's a taxable account in the eyes of the IRS. But if you have a Roth IRA, which is kind of like the equivalent of a TFSA, a Roth IRA can be a tax free account in Canada, as long as you file an election with the Canadian government and you don't make any Roth contributions or conversions during your Canadian residency period. So always, whenever I talk to Americans who haven't quite moved yet, I talk to them about their Roth see if there's any strategies to maximize that Roth account ahead of coming to Canada, because then it becomes like another tax free investing account in Canada.

**Pat Bolland 15:38**

I don't want you to guess any of your co workers but financial planners in Canada know what they're doing in Canada. And I guess a financial planner in the United States knows what he's doing in Canada. But how many financial planners you just have to ballpark and actually know how to handle cross border? I mean, sure, buy your book. I get it, but how many could actually do it if you walked in the door?

**Sonya Dolguina 16:01**

Yeah, that's a really good question, and I don't have a specific number for you, but I will say that unless that planner or that financial advisor you're working with has extensive experience working at a cross border wealth management firm or a cross border financial planning firm, they likely don't have the a lot of them don't have the expertise to to deal with this, to deal with these matters for like, I'll give you an example. US citizen walks into a bank and the bank says, let's open you a TFSA and buy you a bunch of Canadian mutual funds. I see it all the time. You just triggered a bunch of tax issues for that US citizen. So unfortunately, a lot of people you know, don't have the expertise. There are a few cross border wealth management firms located in Canada that are licensed in both Canada and the US. I personally work as a tax consultant at one of them. So generally, you know, very good idea to work with people who are qualified in Canada and the US, even if you don't have any assets in the US. Hopefully, the person you're working with, if you're a US citizen moving to Canada, knows about tax issues for Americans, because the IRS will follow us citizens no matter where they live in the world.

**Pat Bolland 17:17**

Entirely true. Sonya, we've got you, and we've got your book too, your move to Canada, but you covered both ways, right? Yeah.

**Sonya Dolguina 17:25**

So the book focuses on people moving from the US to Canada. Hopefully, one day, I'll release a book about Canadians moving to the US, but you know, might take a couple of years. The last chapter does talk about ceasing Canadian tax residency and moving back to the US, but the book is focused on moving from the US to Canada. Whether you're a Canadian moving back after living in the US for a number of years, or US citizen who's working and moving here for the first time.

**Pat Bolland 17:51**

Sonya, great to chat. Thank you so much for your time.

**Sonya Dolguina 17:53**

Yeah, thank you so much for having me.

**Pat Bolland 18:41**

Sonya Dolguina is a tax consultant, author of co author of Your Move to Canada.