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Your Cross-Border Position Report

Hi Emily,

ABOUT THIS SAMPLE

This report was prepared for a fictional client so you can see exactly what the Cross-Border Diagnostic produces before you decide. Every name, account, and figure in it is invented. Your own report, and your own prices, are built entirely around your facts.

Thank you for the detailed answers and the documents, your Canadian returns, your account statements, and the holdings lists for your TFSA and the kids' RESP. They gave me a clear picture, and I can now lay out where you stand, what it means, and the plan from here. I have written this in plain language on purpose. Where a number appears, treat it as a close estimate until we finalize the few items at the end.

WHAT THIS IS WORTH TO YOU

You almost certainly do not owe years of back US tax. On a Canadian salary you have already paid Canadian tax on, the US credits and exclusions should wipe the US tax bill down to zero or close to it for each open year. The real exposure is the penalties for the missed disclosures, which on five accounts over six years can run well into the tens of thousands of dollars, and the program is what makes them go away.

First, the part that takes the pressure off

You almost certainly do not owe years of back US tax. On a Canadian salary around $95,000 that you have already paid Canadian tax on, the US system's credits and exclusions should wipe out the US tax bill for each of the open years, likely down to zero or close to it. What you are actually behind on is the reporting, the disclosure of your Canadian accounts, not the tax. That matters, because there is an established program that lets people who genuinely did not know come forward and get fully caught up with the penalties waived. The penalties it waives are not small: on five accounts over six years they could, in theory, run well into the tens of thousands of dollars. The program makes them go away, as long as you come forward before the IRS contacts you. So this is very fixable, and the main thing is to do it properly and do it first.

Where you stand, and the one thing that has to be true

The US taxes its citizens wherever they live, so even though you have built your whole life in Toronto and filed faithfully here, the US expected a return and some account disclosures each year. Almost nobody is told this, and finding out years later is extremely common, which is exactly the situation the catch-up program was built for.

There is one condition. The relief depends on the missed filings being genuinely not deliberate, which from everything you have described is your situation, and on you coming forward before the IRS reaches out. The heart of the program is a written explanation of why the filings were missed. It is not a form you tick; it is a careful, truthful account that the whole relief rests on, and it is where this is won or lost. We confirm you qualify before anything is filed, and if for any reason the program is not the right vehicle for you, we tell you that plainly rather than walk you into it.

What most preparers miss

A few things, and they are the reason a catch-up gets done and then reopened later:

The funds inside the TFSA, not just the TFSA. Your TFSA is taxable to the US, which most people now hear about. What gets missed is that the Canadian mutual funds and ETFs inside it fall under a separate, much harsher set of US rules than individual stocks do. A preparer who reports the account but not the funds correctly leaves the exact exposure that gets reassessed.

The RESP as a foreign trust. The US can treat your children's RESP as a foreign trust, which is genuinely unsettled across the profession. Skipping it, or guessing at it, is common and quietly expensive. It needs a clear, documented position, not a shrug.

The written explanation being treated as a form. The non-deliberateness statement is the piece the whole relief rests on, and a thin or boilerplate version is where relief gets lost. It is a careful, truthful account, prepared with you, not a checkbox.

The order of operations. The disclosures, the returns, and the written explanation have to tell one consistent story. Filed piecemeal or out of order, they contradict each other, which is one of the most common triggers for a later problem.

Before you do anything

> **CAUTION: PAUSE ON THE TFSA AND RESP**
>
> One specific heads-up, because the instinct is to keep doing what you have been doing. Until we have set your US position, hold off on new TFSA or RESP contributions and on selling inside those accounts. The US does not treat these accounts the way Canada does, and moves that are completely normal on the Canadian side can create extra US reporting or tax that careful timing avoids. A few weeks of waiting costs nothing; a poorly-timed contribution or sale can add real work and cost. Just pause until we have the plan.

Your accounts, one by one

Your RRSP (about $110,000): the US leaves it sheltered until you draw on it, the good treatment, with the right reporting position. No tax now.

Your TFSA (about $85,000): not tax-free for the US. Two things here. The income inside it counts on your US return, and because it holds Canadian mutual funds and ETFs rather than individual stocks, those funds fall under a harsher set of US rules that need fund-by-fund handling. This is the part of your file that carries the most work.

Your children's RESP (about $40,000): the US can treat this as a foreign trust, which is genuinely unsettled ground across the profession. Rather than guess, we take a clear, documented position and stand behind it, so it is handled consistently and you are covered.

Your non-registered account (about $30,000) and your joint chequing and savings: mostly disclosure items, not extra tax, but the disclosure is not optional and the penalties for skipping it are steep, which is the whole reason the catch-up program matters.

The numbers, roughly

In round terms, to be confirmed against your actual figures:

Back US tax across the open years: likely zero to a few hundred dollars, because the credits and exclusions cover your Canadian-taxed salary.

Penalty exposure without the program: potentially tens of thousands. With the program, done correctly: waived.

So the value here is not a refund. It is removing a large exposure cleanly and quietly, and getting you to where staying compliant is easy.

The one with a clock on it

> **IMPORTANT: THE PENALTY-FREE DOOR ONLY STAYS OPEN WHILE IT IS VOLUNTARY**
> The penalty-free path depends on you coming forward before the IRS contacts you. Once they reach out first, the program is off the table and the penalties above, which run into the tens of thousands, are back in play in full. That is the whole reason to start while the door is open. It is one of the first things we handle, and on your situation it is still open today.

The plan

1. Confirm your eligibility for the penalty-free path and rebuild the years and accounts involved from your records.
2. Prepare the recent US returns with the credits and exclusions that keep your tax at or near zero.
3. Prepare the account disclosures for the required years.
4. Build the written explanation carefully with you, the piece the relief depends on.
5. Set the right documented positions on your TFSA, its funds, and the RESP.
6. Give you clear guidance for holding these accounts going forward so you stay caught up easily.

Your menu of services

Here is the work for a catch-up like yours, grouped into a handful of fixed-fee pieces so you can see what it involves and choose what you want us to handle. Each is one flat fee, shown in your own report. No hourly meter, no surprises.

One-time:

Service	Fee
The streamlined catch-up filing (the recent US returns, the account disclosures, and the non-deliberateness statement)	Fixed fee
Your TFSA fund-by-fund handling and the RESP position	Fixed fee
Going-forward compliance setup	Fixed fee

Ongoing:

Service	Fee
Annual US filing	Fixed fee
Year-Round Care (questions and notices, as they come)	Fixed fee

What we still need from you

A short list (sent separately): a few years of your Canadian returns, your account statements for the years involved, the holdings inside your TFSA and RESP, your citizenship and residency dates, and a couple of quick confirmations.

The diagnostic credit

The full $250 you paid for the diagnostic is credited against your engagement, there is no deadline on that, so if you go ahead it effectively costs you nothing, it comes straight off the work. It only ever stands as its own cost if you decide not to proceed, and even then this written report is yours to keep.

Handling it all together is deliberate. The returns, the disclosures, and the written explanation have to tell one consistent story for the relief to hold, so keeping them under one roof is what makes the result defensible.

Here is what the full engagement actually produces for you, in plain terms: the recent years of US returns prepared with the credits and exclusions that keep your tax at or near zero, the required years of foreign-account disclosures, the written non-deliberateness explanation the penalty relief rests on prepared with you, the fund-by-fund handling of the Canadian funds inside your TFSA, a documented and defensible position on your TFSA and your children's RESP, and going-forward guidance so staying compliant is simple from here. It is your catch-up handled as one consistent, defensible file, each piece resting on its own judgment.

Because the penalty-free path stays open only while you come forward first, it is worth not leaving to the last minute. Once you send the items in the short list, I will firm up the numbers and we will get moving.

Yarik Yarosh, CPA
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Illustrative sample. The client and all figures shown are fictional and are provided only to show the format and depth of the written position report a Blue Cloud Cross-Border Diagnostic produces. Your own report is built entirely around your facts.