



KEATS, CONNELLY
and Associates, Inc.

December 2006 E-Update

KCA in the News

The Border Guide – 8th Edition Release

The much anticipated release of the 8th edition of *The Border Guide* will be on December 18th, 2006. Our publisher, Self-Counsel Press, will have this edition distributed to your favorite book stores across Canada and the United States within a few weeks of this release date. As always, Mr. Robert Keats will have the latest information on cross border issues compiled for your benefit in the most valuable of resources.

Cross Border Living Workshops for Canadians in the U.S.

Robert Keats will be facilitating a series of workshops entitled “**Cross Border Living for Canadians in the U.S.**” in the winter of 2007 at the locations listed below:

January 24, 2007
The Ritz Carlton
2401 E. Camelback Road
Phoenix, AZ 85016
602-468-0700

January 30, 2007
Rancho Las Palmas Resort & Spa
41-000 Bob Hope Drive
Rancho Mirage, CA 92270
760-568-2727

February 6, 2007
Marriott Boca Raton
5150 Town Center Circle
Boca Raton, FL 33486
561-392-4600

February 8, 2007
Naples Grande Resort
475 Seagate Drive
Naples, FL 34103
239-597-3232

The topics he will discuss will include:

- How to get the best of Canadian and U.S. tax systems
- Why the U.S. can be a Canadian’s best tax haven
- Critical things to know when purchasing U.S. real estate
- How Business owners sell their business at a much reduced tax rate
- How to receive your Canadian RRSP tax-free or nearly tax-free in the U.S.
- How to take advantage of the Canadian/U.S. exchange
- How to manage investments exempt from U.S. income tax

Workshop registration begins at 7:30 AM; the workshop itself begins at 8 AM. Breakfast and lunch is provided and a complimentary copy of Mr. Keats book, *The Border Guide*, is also included. The admission price is \$100 per single attendee and \$150 per married couple. We accept VISA, AMEX, and MasterCard. Please call **1-800-678-5007** to register.

More information is available on our website at: www.keatsconnelly.com

***** ARTICLES OF INTEREST *****

Medical Wait Times Inching Up in Canada / Claudia Freeman

The 16th annual Frazer Institute's survey of hospitals found that the average wait time between seeing a doctor and getting treatment in Canada has increased to an average of 17.8 weeks in 2006. The survey revealed that while the average time waiting for surgery or other treatment after seeing a specialist fell to 9.0 from 9.4 weeks, the time waiting to see the specialist in the first place rose to 8.8 from 8.3 weeks. Some provinces experienced slight wait time reductions—Alberta, Ontario and Newfoundland; however, these reductions were offset by increases in the other seven provinces.

These wait times are 50% longer than the wait most doctors consider clinically reasonable. They are also significantly longer than they were in 1993, when Canada began to slip on the timeliness scale relative to other developed nations around the world. In 1993 the average wait time between a patient's first doctor visit and treatment was 9.3 weeks, 91% shorter than 2006.

A similar survey that included hospital administrators from Canada as well as the U.S. and other developed countries revealed some notable comparisons. Twenty-one percent of Canadian administrators admitted the wait time for a biopsy for possible breast cancer would be longer than three weeks; whereas only one percent of U.S. administrators made this claim. According to the same survey, 50% of Canadian administrators, and no U.S. administrators, stated that it would take longer than six months for routine hip replacement surgery.

Canada Reviews Dual Citizenship / Brad Flecke

Everyone has probably heard that the Canadian Government spent more than \$85 million to evacuate about 15,000 Canadian dual citizens from Lebanon during the recent hostilities there. It was not a pretty picture. Some Canadian tourists were bumped from the evacuation to make room for Canadians living full-time in Lebanon. Some evacuees, hopefully not the same ones, complained and voiced embarrassment about a shoddy Canadian Government operation. Shortly after the guns fell silent, about half of the evacuees went home—to Lebanon.

The Lebanon fiasco has sparked increased interest, on both sides of the Commons, for an issue already slated for discussion this fall. Debate in the Commons may drag on for months. At least initially the debate seems to center on one simple principle, as noted by University of California sociologist, Irene Bloemraad: Is dual citizenship like bigamy or is it more like

having two children whom one loves equally but differently? Professor Bloemraad poses this as a rhetorical question. A drawn out debate in Parliament would suggest that it is not rhetorical. What holds Canadians together as a nation? Is Canada, as Noah Pickus an immigration expert at Duke University quipped recently, “more like an airport than a country”?

Canada may have an identity problem but it is extremely unlikely that Parliament is going to muster the political will to return to the pre-1977 rule barring dual citizenship. That genie is not going back into the bottle. They are going to have to look elsewhere for a way to bring Canadians together.

My concern is that we may end up with something worse than the loss of the dual citizenship privilege. In the face of public clamor for action, the Commons may recast the discussion as the press has already begun to do, as a frank talk about unifying Canadians by reducing the distinctions between Canadians at home and abroad. Two changes to watch out for are: 1) taxing Canadians everywhere on their worldwide income and 2) limiting non-pension benefits and services to current Canadian taxpayers.

While Ottawa may win kudos from most voters and the press, what would the impact be on expatriate Canadians?

If Canada decides to tax all Canadians on their worldwide income, the impact on expatriates may be nil. Under the Canada-U.S. tax treaty—which the U.S. is unlikely to agree to change—expatriate Canadians will continue to pay most tax to the country where they are tax residents. And every dollar of Canadian tax expatriates do pay will generate U.S. foreign tax credits. Expatriate Canadians should be no poorer for a change in the tax rules and the Ottawa treasury may not be much richer.

Don't smile. Beware of a backlash. Canadians at home may be left with the nagging feeling—perhaps the motivation for this whole discussion—that expatriates are getting something for nothing. More to the point, that expatriates are somehow “getting a better deal.” Where does the discussion go from there? Limiting non-pension benefits and services to current Canadian taxpayers is a real possibility. Government may come down hard on expatriate access to provincial healthcare. Do not be surprised if some MP-NDP, Liberal or Conservative, proposes a user fee on Canadian snowbirds who enjoy the benefits of Canadian life for five months of the year and pay their taxes to the U.S. Keats, Connelly will keep you posted.

Canadian Passport Renewals For U.S. Residents / David Levine

All persons entering the U.S. by air must have a machine readable passport by January 23, 2007. The passport, or other approved biometric I.D., will be required at all land and sea entry ports before June of 2009. Please be advised that if you are a Canadian citizen residing in the U.S. and you want to apply for a new passport after the expiration of your current passport, you must obtain the passport application, “Adult Passport Application for Canadians 16 years of age or over (in the U.S.)”, form PPTC 140A. Children under 16 years of age will need, “Child

Passport Application for Canadians under 16 years of age (in the U.S.)”, form PPTC 142A. These forms are available on the following website:

http://www.ppt.gc.ca/usa/printable_forms.aspx?lang=e

The forms are also available at any Canadian consular office. The consular offices will only process passport applications on an emergency basis. An emergency does not mean they will process your passport application because you have forgotten to obtain your passport and you are leaving on a cruise in a week. The application must be sent into Canada by mail or courier along with the required original documentation confirming your Canadian citizenship, your current passport, photos and the fee of C\$97 (children’s passport fees are C\$22 for children under 3 years of age and C\$37 between the ages of 3 to 15 years of age).

Please be advised that passport photos for Canadian passports are a different size than U.S. passport photos. Therefore, you can not walk into your local Walgreens and ask for a passport photo as it will be rejected by Passport Canada. You would be better off having the passport photo taken in Canada as passport photos can be taken up to a year prior to sending in the application.

Processing times are 20 working days, excluding delivery day, but I would recommend that during peak travel periods you allow more time. I would also recommend that you apply for a new passport when you have six months remaining on your current passport prior to expiry.

Goodbye To GST Rebates For Visitors / David Levine

On September 25, 2006 the government announced that it would amend the Excise Tax Act by eliminating various rebates available to non-resident tourists.

Currently, visitors to Canada can recover the Goods and Services Tax paid on short term accommodations and on personal exports by submitting a rebate application either in person at a duty free shop or through a mail-in application. This will be eliminated effective April 1, 2007. There is a transitional period that will extend the rebate to April 1, 2009 for short term accommodation and tour packages purchased under written agreements entered into prior to September 25, 2006.

Canadian Tax Fairness Plan / David Levine

The Minister of Finance announced on October 31, 2006 that the government is going to level the playing field between income trusts and corporations. These measures seem to be prompted by the recent conversion of Telus and the announcement that BCE is going to convert to an income trust.

A corporation would pay tax on its income and would distribute after tax profit to the investors who would, in turn, pay tax on the dividends received. Currently, income trusts pay little or no

tax because the income is distributed to investors and there is no tax on the distribution. The government believed that there was an issue of tax avoidance. The government has closed this loop hole by announcing that they will apply a Distribution Tax on distributions from publicly traded income trusts that would equate to the current level of taxes paid by a corporation. This Distribution tax would apply beginning with the 2007 tax year. Existing income trusts would not be subject to these new rules until January 1, 2011.

Secondly, the government is reducing the corporate income tax rate by one-half of one percent as of January 1, 2006.

Thirdly, the government is increasing the age credit by \$1,000 from \$4,066 to \$5,066 effective January 1, 2006.

Finally, they are permitting pensioners to split their income beginning in 2007. No details were provided in the Ministers statement about this, but it appears that they will allow pensioners that are receiving pension or RRIF income to somehow report a portion of that income on their return and a portion of it on their spouse's return.

KCA Office News

Three New Staff Planners Have Joined KCA This Fall

KCA has three new staff planners; **Barry Rabinowitz**, **Jon Schade**, and **Virginia Dhondt**.

Barry Rabinowitz has over 15 years experience as a financial planner and wealth manager and is based in our West Palm Beach, Florida office. Barry is an educator and is very active in the financial planning profession. He is a Board Member of the Financial Planning Association, Palm Beach County and the South Florida Society of Financial and Insurance Professionals. Barry has an MBA and is a CERTIFIED FINANCIAL PLANNER™ (US), 1990.

Jon Schade has been a financial controller. In addition, he has an extensive background in information technology. He is currently studying to become a CERTIFIED FINANCIAL PLANNER™ CERTIFICANT. He has a Bachelor of Science Degree in Accounting, 1987, and an Associate of Applied Science-Computer Information System, 1994. Jon enjoys auto racing, flying and spending time with his family. In his free time, he teaches high-performance driving in a local racing club. He holds a commercial pilot license and formerly was a flight instructor.

Virginia Dhondt brings nine years of experience working with self-employed and high net worth individuals. She has a BS degree in Finance, 1997 and is a CERTIFIED FINANCIAL PLANNER™ (US), 2000. Virginia enjoys reading, hiking, and spending time with friends and family. She and her husband, Mike, live in Phoenix and are involved with several local dog clubs.

We feel fortunate to have Barry, Jon, and Virginia join our team and look forward to their being valuable additions to Keats, Connelly & Associates.

Announcing The Opening Of Our New Detroit, Michigan Office

Keats, Connelly and Associates, Inc., has a new office located in Detroit, Michigan. This location and those in Phoenix, AZ, and West Palm Beach, FL, have expanded our award winning service across North America. Claudia Freeman, formerly of our Phoenix office, has relocated to open this new facility. Claudia has roots in the vicinity, where she and her husband live across the bridge, and border, in Tecumseh, ON. We are very pleased to offer our services from this new address:

Keats, Connelly & Associates, Inc.
The Dime Building
719 Griswold
Detroit, Michigan 48226
(313) 967-7878
FAX (313) 967 9998



A KCA Reminder...

- Please call your Staff Planner with all new and updated information pertaining to your financial planning. Be sure to forward copies of all supporting documents to KCA. *Thank you...*

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