

## Individual Tax Overview - United States

The U.S. Internal Revenue Code (“the Code” or “IRC”) is synonymous with the Canadian Income Tax Act (“the Act” or “ITA”) and is among, if not the most, complex system of taxation in the world.

Income taxes are imposed at the federal, most states, and some local (city) levels within the U.S. Each state or city may define taxable income differently; however most states use federal law in determining taxable income. Examples of Canadian income that may be taxed differently by a state than by the federal government are social security and income from registered plans, whether deferred or not. Cities typically tax only earned income earned within that city. Cities that impose a separate tax are generally limited to the states of Ohio, Pennsylvania and New York. In the U.S., you must file separate returns to the federal, state and city governments, similar to filing separate Canadian federal and Quebec provincial returns.

For the 2015 tax year, individuals are subject to federal graduated tax rates from 10% to 39.6%; the 39.6% tax rate applies to taxable income over \$457,000 for couples filing jointly and \$432,200 for single individuals. State income tax rates vary from 0% to 13.3% in 2015. State and local taxes are generally deductible in computing federal taxable income. Nine states have no state income tax (Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington and Wyoming).

The normal due date for filing your individual income tax return (Form 1040) is April 15<sup>th</sup> of the year following the tax year. If this date falls on a weekend, the due is the Monday following the weekend. You can get an automatic six-month extension of time to file your return by filing Form 4868 by the due date, typically April 15<sup>th</sup>. By filing this form in a timely fashion, your time to file will be extended to October 15<sup>th</sup>. Because Canadian individual tax returns are due by April 30<sup>th</sup> and no extensions are allowed, you should make every attempt to have your US return completed by early April at the latest.

An extension provides only an extension of time to file, not pay your taxes. You must calculate and pay any taxes due by April 15<sup>th</sup> (or the adjusted date) to avoid penalties. If you are required to make estimated (installment) tax payments, you must make those payments even though your return is on extension. You may be required to file additional forms with your tax return; not all forms that you may need to file have the same due date.

**Note:** US citizens and Lawful Permanent Residents (Green Card holders) are subject to US income tax on their worldwide income, and US estate tax on their worldwide assets.

### Internal Revenue Service (IRS)

In Canada, the branch of government responsible for the enforcement of taxes is Canada Revenue Agency (CRA), whereas in the US it is the Internal Revenue Service (IRS).

In 1913, the 16<sup>th</sup> Amendment to the US Constitution gave Congress the authority to enact an income tax. The IRS is an agency under the supervision of the Department of Treasury. In 2013, the IRS collected nearly \$2.9 trillion in revenue and processed more than 240 million tax returns.

While the IRS is not the demonic organization it is frequently made out to be, it is an organization you do not want to get on the bad side of. Fortunately, staying in the IRS's good graces is relatively easy to do; simply file your return on time and pay your taxes.

The IRS examined slightly less than one percent of all tax returns. Of the 1.4 million individual tax returns examined, over 39,000 resulted in additional refunds.

The IRS has a good website, where you can find publications, forms and many other items of interest.

**Resources:**

IRS Web Pages

[The Internal Revenue Service](#)

[Federal Tax Forms, Instructions and Publications](#)

[IRS Help and Resources](#)

Specific Helpful Publications

[Publication 17 – Your Federal Income Tax](#)

[Publication 54 - Tax Guide for US Citizens and Resident Aliens Abroad](#)