# Before you list: the 5 tax traps when a Canadian sells a US home

You're about to sell a home in the US as a Canadian. Two tax systems, one withholding rule, and five places where doing things in the wrong order costs real money. Work down this list before you list. For each trap: done, does not apply, or need advice.

### 1. The withholding certificate has a closing-date deadline

At closing, 15 percent of the sale price - not your gain - is withheld under FIRPTA and normally sent to the IRS within 20 days. If your real US tax will be less, Form 8288-B asks the IRS to cut or cancel the withholding. But the application has to be submitted on or before the closing date, with written notice to the buyer the same day, for the money to be held back from the IRS while it decides (it says it normally acts within 90 days). Miss the window and the excess comes back only through a US tax return filed next year.

☐ Done ☐ Does not apply ☐ Need advice

### 2. Renting it out "just for a few weeks" before you sell

The day a personal-use property starts earning rent, Canada deems you to have sold and rebought it at fair market value (Income Tax Act s. 45(1)): a paper gain, reported that year, with no cash to pay it. An election (s. 45(2)) can defer it, but it has conditions, so get advice before the first tenant, not after. Renting can also make the property reportable on Form T1135 if it cost over C$100,000. The CRA's own example is a Florida condo rented eight months of the year.

☐ Done ☐ Does not apply ☐ Need advice

### 3. Title held in a Canadian corporation

If a corporation owns the place and you use it personally, the CRA adds a taxable shareholder benefit to your income (s. 15(1)), usually fair market rent for the time the property is available to you, and the corporation gets no deduction for it. Owners often meet this bill for the first time at the sale, when it is too late to unwind cheaply. If title is in a corporation, get cross-border advice before you list.

☐ Done ☐ Does not apply ☐ Need advice

### 4. The ITIN: you can't get it early, and you can't file without it

Claiming credit for the withholding needs your IRS-stamped Form 8288-A attached to a US return, and the IRS will not stamp it if your US taxpayer number is missing. Most Canadians apply for an ITIN on Form W-7, but the IRS denies applications made before a binding sale contract exists, and processing from Canada runs 9 to 11 weeks. One faster route: request the ITIN together with the Form 8288-B certificate application.

☐ Done ☐ Does not apply ☐ Need advice

### 5. Canada taxes the same gain, in different dollars, on a different clock

Canada taxes the gain in the year you sell, in Canadian dollars: your cost converted at the exchange rate from when you bought, your proceeds at the rate from when you sold. Exchange movement alone can grow the Canadian gain. The foreign tax credit (Form T2209) counts only your final US tax, not the amount withheld, and an unused credit cannot be carried over. Do not claim the credit on the full 15 percent.

☐ Done ☐ Does not apply ☐ Need advice

### What the full kit adds

A timeline generated from your closing date, your state, how the property was used and how title is held - every deadline above in order, plus the document pack and monthly re-verification as the rules move. Planned price C$149. Details and the notify-me list: snowbirdexit.ca

Sources, checked November 11, 2026: IRS FIRPTA withholding pages; Instructions for Forms 8288 and 8288-B (Rev. December 2025); IRS ITIN (Form W-7) and nonresident filing pages; CRA Income Tax Folio S5-F2-C1; CRA Form T1135 pages; CRA change-in-use guidance; Income Tax Act ss. 45(1), 45(2), 15(1); Florida Department of Revenue; Arizona Department of Revenue, Form 140NR instructions.