RAHIM MADHAVJI

Coming Home

The Canadian's guide to selling US property and bringing the money back.

PRESIDENT, KNIGHTSBRIDGE FOREIGN EXCHANGE INC.

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Rahim Madhavji founded Knightsbridge Foreign Exchange in Toronto in 2009. His firm has helped more than 150,000 clients exchange over $30 billion. He appeared on Dragons' Den in 2019, and is a regular voice on BNN Bloomberg, CTV News and in the Globe and Mail when the loonie makes the news.

The sale is the easy part. Getting the money home is where it costs you.

Coming Home

Rahim Madhavji
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General information for Canadians who own property in the United States. Not tax, legal, or investment advice. Tax rules, withholding rates and exchange rates change; confirm with a qualified cross-border accountant before acting.

Tax rules in this guide were checked against IRS and CRA sources in September 2026. Rules change; confirm with a cross-border accountant before you act.

CONTENTS

Five steps, in the order they happen.

1 Before you list

2 FIRPTA in plain English

3 What you owe, both sides

4 Closing day and where the money goes

5 Converting it: timing, spreads, and what to ask for

About the author

CHAPTER ONE

Before you list

Every expensive problem in this book is easier to fix before you sign a listing agreement than after you close.

QUICK ANSWER

Three things catch almost every Canadian seller: the IRS keeps 15 percent of the sale price at closing, Canada taxes the gain as well, and Canada measures that gain in Canadian dollars, so the currency move gets taxed too. All three are manageable, and all three are cheaper to handle before you list. Start the paperwork, find your purchase records, and pick your accountant, closing agent and currency provider now.

Why I wrote this

I started Knightsbridge in 2009. Since then, my team and I have moved the proceeds of US property sales for Canadians in every province, from a one-bedroom condo in Fort Myers to homes worth several million dollars.

The sale is the easy part. Your realtor handles it. You sign, the buyer pays, the title changes hands. What happens to that money between the closing table in Arizona and your account in Canada is where people lose thousands, and almost nobody warns them.

I wrote this book because I kept having the same conversation on the phone. Someone would call after closing, upset that 15 percent of their sale price was sitting with the IRS, or that they owed tax in Canada on a gain they had already paid tax on in the US, or that the Canadian dollars they ended up with were far less than they had counted on. Every one of those problems is easier to fix before you list than after you close. I would rather you read this first.

This is not a tax book, and I am not an accountant. It is the money side of selling, written by someone who has watched a lot of Canadians do it well, and a lot of Canadians do it badly. Where a rule matters, I point you to the source so you and your accountant can check it.

Who this book is for

You live in Canada. You own a house or condo in the United States, maybe a winter place in Florida or Arizona, maybe a rental you bought when the loonie was strong. You are thinking about selling, or you have already listed. You want to know what you will owe, what you will keep, and how to get the money home without giving away more than you have to.

If you own the property through a corporation, a trust or a partnership, some of what follows still applies, but the rules are different enough that you need a cross-border accountant from day one. This book is written for people who own in their own name, alone or with a spouse.

The three surprises

Almost every seller I talk to is caught by at least one of these. If you know about them now, none of them will cost you.

SURPRISE ONE

The US keeps 15 percent at closing.

When a non-resident sells US real estate, the buyer is required by law to hold back 15 percent of the sale price and send it to the IRS. Not 15 percent of your profit. Fifteen percent of the full price. On a $400,000 condo, that is $60,000 held back on closing day. You can get most of it back, and there are ways to reduce it before closing, but only if you start the paperwork before the sale. Chapter 2 walks through it.

SURPRISE TWO

Canada taxes the gain too.

Canada taxes its residents on their worldwide income, and that includes the profit on a property in the US.

You do not pay twice on the same dollar, because Canada gives you a credit for the tax you paid to the US. But the two systems do not line up neatly, and if you file in the wrong order or miss a form, the credit can slip. Chapter 3 covers both sides.

SURPRISE THREE

The currency gain nobody expects.

This is the one that surprises even careful people. Canada does not calculate your gain in US dollars. It calculates it in Canadian dollars, using the exchange rate on the day you bought and the exchange rate on the day you sold.

Say you bought a condo for US$300,000 in 2012, when the Canadian dollar was close to par with the US dollar. In Canadian dollars, you paid roughly $300,000. You sell it in 2026 for US$350,000. In US dollars, your gain is $50,000. But if the Canadian dollar is worth about 73 US cents on the day you sell, that US$350,000 is worth roughly C$480,000. Your gain for Canadian tax purposes is not $50,000. It is closer to $180,000.

The same sale, two ways of counting it

$50,000

Your gain in US dollars: bought at US$300,000, sold at US$350,000.

$180,000

Your gain in Canadian dollars, which is the number Canada taxes.

The property did not go up much. The currency moved, and Canada taxes that too. Most sellers only find out when their accountant does the return the following spring. By then the money is spent or invested, and the tax bill is a shock.

If you remember one thing from this chapter: your gain is measured in Canadian dollars, on both dates.

What to gather before you list

You will need these documents for the US return, the Canadian return, and the withholding paperwork. Start pulling them together the week you decide to sell. Some of them take time to find.

FROM WHEN YOU BOUGHT

The closing statement from your purchase, showing the price and the closing costs you paid. Your Canadian bank or exchange records from that time, showing what you actually paid in Canadian dollars. If you cannot find them, the Bank of Canada publishes annual average rates going back decades and daily rates from March 2017.

FROM THE YEARS YOU OWNED IT

Receipts for improvements. A new roof, a renovated kitchen, hurricane shutters, a replaced air conditioning system. These add to your cost and reduce your gain on both sides of the border. Repairs and maintenance generally do not count, so keep the two piles separate.

IF YOU RENTED IT OUT

If you rented the property out, you will need every US tax return you filed and the depreciation you claimed. Depreciation reduces your cost base and increases your taxable gain in the US. Your accountant will need the numbers.

YOUR CANADIAN RETURNS

Your Canadian tax returns for the years you owned the property, especially if you filed Form T1135 to report it as foreign property. Chapter 3 explains when that form applies.

YOUR US TAX NUMBER

If you have an Individual Taxpayer Identification Number, find it. If you have never had one, you will need to apply, and the timing matters. The IRS says that when an ITIN application is filed together with a request to reduce the withholding, it is processed within 10 days. Filed on its own, it can take much longer. Do not leave this for closing week.

The clock starts before the offer.

The single most expensive mistake I see is treating the 15 percent withholding as something to deal with after closing. The application to reduce it, IRS Form 8288-B, must be submitted on or before the day of the transfer, and the buyer must be told in writing that you have applied. The IRS says it normally decides within 90 days of receiving a complete application.

Ninety days is longer than most closings. That means the paperwork needs to be moving while the house is still listed, not after you accept an offer. Chapter 2 gives you the exact sequence.

Your team

You need three people, and it is worth choosing them before you list rather than in a hurry after.

A cross-border accountant

Not your regular Canadian accountant, unless they file US returns every year. Someone who prepares Form 1040-NR and Canadian returns together, and knows how the foreign tax credit lines up. Ask them how many Canadian sellers they handled last year.

A US closing agent or title company

One that has done non-resident sales before. They hold back the 15 percent and file the IRS forms. Ask them directly whether they have handled FIRPTA withholding and Form 8288-B. If they hesitate, find another.

Someone to handle the currency

Your US dollars have to become Canadian dollars at some point, and the difference between doing that well and doing it badly on a $400,000 sale can be several thousand dollars. In Chapter 5, I cover how to do it and how to compare who does it.

The timeline at a glance

Here is the shape of the whole process. The chapters that follow cover every step.

WHEN	WHAT HAPPENS	CH.
Deciding to sell	Gather documents, get your ITIN, line up your team	1
Listed	File Form 8288-B if you qualify for reduced withholding	2
Offer accepted	Tell the buyer in writing that you have applied	2
Closing day	Buyer holds back 15 percent or the reduced amount, files with the IRS	2, 4
Within weeks of closing	Decide when and how to convert your US dollars	5
Following spring	File your US return to claim the refund, then your Canadian return with the foreign tax credit	3

END OF CHAPTER ONE

What to do this week

1. Find your purchase closing statement.
2. Find your improvement receipts, and keep repairs in a separate pile.
3. Check whether you have an ITIN.
4. Call a cross-border accountant and book a half-hour conversation before you sign a listing agreement.

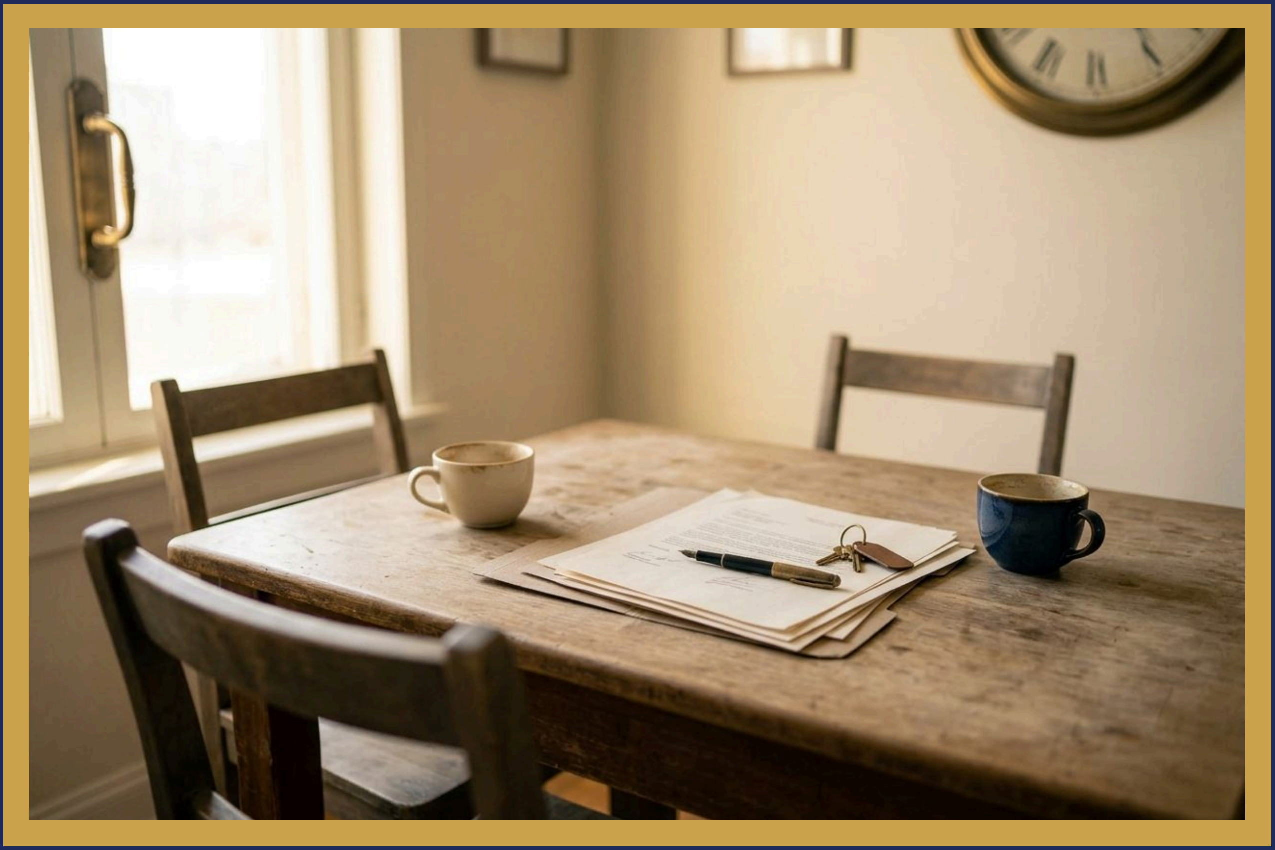
None of that costs anything. All of it saves money later.

> Tax rules change. Confirm with a qualified cross-border accountant before acting.
>
> Next: Chapter 2, FIRPTA in plain English, and the paperwork that reduces what the IRS holds.

CHAPTER TWO

FIRPTA in plain English

It is not a tax. It is a deposit.



QUICK ANSWER

The buyer must hold back 15 percent of your sale price and send it to the IRS. It is a deposit against the US tax you owe, not the tax itself, and most Canadian sellers get much of it back. You can have the IRS reduce it before closing by applying on Form 8288-B, but the application has to be in on or before the day of transfer, and the IRS takes up to 90 days to decide. Start it while the property is still listed.

What it is

FIRPTA stands for the Foreign Investment in Real Property Tax Act. It is a US law from 1980. The idea behind it is simple. When a foreigner sells US real estate, the IRS worries the seller will take the money and never file a US tax return. So the buyer holds back a slice of the sale price and sends it to the IRS before the seller ever sees it.

To the IRS, you are the foreigner. It does not matter that you have owned the condo for fifteen years or that you spend every winter there. If you are not a US citizen or US resident for tax purposes, FIRPTA applies to your sale.

THE ONE THING TO UNDERSTAND

FIRPTA is not a tax. It is a deposit.

The IRS holds your money against whatever US tax you actually owe on the sale. If your real tax bill is lower than the deposit, and for most Canadian sellers it is, you get the difference back. The catch is when you get it back, which can be more than a year after closing if you do nothing to speed it up.

How much is held back

The standard rate is 15 percent of the amount realized. In plain terms, the amount realized is the sale price. Not your profit. Not the equity left after you pay off the mortgage. The full price the buyer agreed to pay.

Here is what that looks like at different prices. These are the standard rates with no exceptions applied.

SALE PRICE (US$)	HELD BACK AT 15% (US$)
250,000	37,500
400,000	60,000
600,000	90,000
850,000	127,500
1,200,000	180,000

If you still have a mortgage, the withholding comes out of your proceeds after the mortgage is paid. On a US$400,000 sale with US$200,000 still owing, the buyer pays off the lender, holds back US$60,000 for the IRS, and you walk away with about US$140,000 instead of US$200,000. People who have not planned for this get a very unpleasant surprise at the closing table.

Who holds it back

The buyer. Under the law, the buyer is the withholding agent. In practice, the buyer never touches the money. The closing agent or title company handles it as part of the closing, sends it to the IRS, and files two forms: Form 8288 and Form 8288-A.

Form 8288-A is the one that matters to you. It records that the money was withheld under your name. After the IRS processes it, you receive a stamped copy, called Copy B. You attach that copy to your US tax return to claim the withholding as a credit or a refund. Without it, the IRS has your money and no way to connect it to you. Keep it with your closing documents and make sure your accountant has a copy.

The exceptions that matter to you

The IRS lists more than a dozen exceptions to FIRPTA withholding. Most are about corporations, stock sales, and partnerships, and do not apply to a person selling a house. Three of them do.

EXCEPTION ONE: NO WITHHOLDING

The property sells for US$300,000 or less, and the buyer will live in it.

If the buyer is an individual who plans to use the property as their home, and the price is US$300,000 or less, no withholding is required at all. The buyer or a member of their family has to plan to live there for at least half the days the property is in use during each of the first two years after the sale.

This is the buyer's promise, not yours. You cannot claim it on their behalf. If the buyer is an investor, a corporation, or someone who plans to rent the place out, the exception does not apply, no matter the price.

EXCEPTION TWO: 10 PERCENT INSTEAD OF 15

More than US$300,000 but not more than US$1,000,000, and the buyer will live in it.

Same residence test, higher price band. Here, the withholding is not eliminated but reduced from 15 percent to 10 percent. On a US$600,000 sale, that is US$60,000 held back instead of US$90,000. Again, this depends entirely on who the buyer is and what they intend to do with the property.

EXCEPTION THREE: THE ONE YOU CAN REQUEST

You get a withholding certificate from the IRS.

If you can show the IRS that your actual US tax on the sale will be less than the standard withholding, it can issue a withholding certificate that reduces the amount held back, or eliminates it. This is the route most Canadian sellers should look at, and it is the subject of the rest of this chapter.

DO NOT SIGN THIS ONE

There is a fourth exception you may hear about, where the seller gives the buyer a certification that they are not a foreign person. It requires a US taxpayer number and a statement, signed under penalty of perjury, that you are not foreign. As a Canadian resident, you are foreign for this purpose. Do not sign that certificate. The penalties for a false one are severe, and the closing agent will not accept it from a Canadian in any case.

The withholding certificate: Form 8288-B

Form 8288-B is an application to the IRS asking it to reduce or waive the withholding on your specific sale. You, the buyer, or an authorized representative can file it. The core of the application is a calculation showing what your US tax on the sale will actually be. If your gain is small, or you have a loss, the IRS can agree to hold back only what you will really owe.

Three timing rules determine whether this works.

Rule one: it has to be submitted on or before the day of the transfer.

The IRS is clear that the application must be in before closing, not after. An application filed the week after closing is a refund application, and that is a different and slower process.

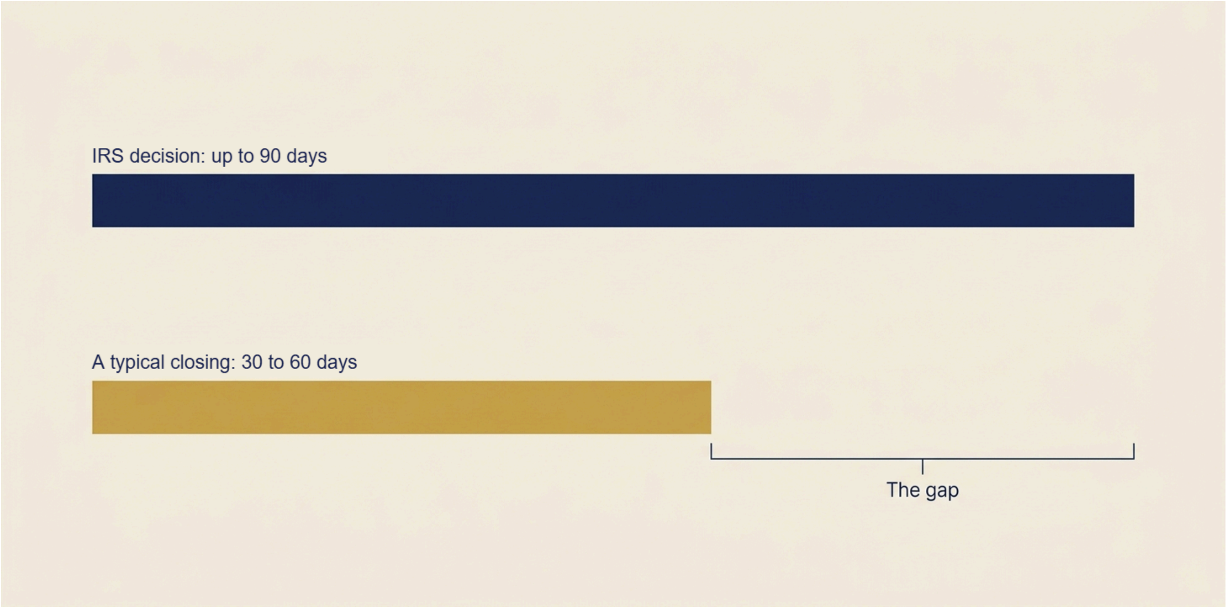
Rule two: you must tell the buyer in writing.

If you are the one applying, you must notify the buyer in writing on or before the transfer date that you have applied. In practice, once the buyer and the closing agent know an application is pending, the withheld amount is held at closing rather than sent to the IRS, and released according to what the IRS decides.

Rule three: the IRS takes up to 90 days.

Once the IRS has a complete application with all the information it needs, it normally decides within 90 days. Incomplete applications take longer, because the clock starts again when the missing pieces arrive.

Put those three rules together, and the message is clear. If you want reduced withholding, the application should be moving while the property is listed, not after you accept an offer. A typical closing is 30 to 60 days after an offer is accepted. Ninety days is longer than that.



The IRS clock is longer than the closing clock. That is the whole reason this chapter comes before you list.

Getting your US tax number

You cannot file Form 8288-B without a US taxpayer identification number. For a Canadian who does not have one, that means applying for an Individual Taxpayer Identification Number, or ITIN, on Form W-7.

The good news is that the IRS moves quickly when the two applications arrive together. If you file Form W-7 at the same time as Form 8288-B, the IRS says the ITIN request is processed within 10 days of receipt. Send the completed W-7 with the 8288-B to the address in the W-7 instructions.

If you apply for an ITIN on its own, without a FIRPTA application attached, expect it to take considerably longer. Do not wait until you have an offer to find out you need one.

If you own the property with your spouse, each of you needs your own ITIN, and each of you is a seller on the forms. Half the withholding is attributed to each of you.

ONE PRACTICAL DETAIL: IRS MAIL

If you live outside the United States, which you do, the IRS mail on your application can take weeks to reach you. Form 8288-B lets you give the closing agent's details as a contact, so IRS correspondence goes to them directly. Ask your accountant to do this. A determination letter sitting in a Canadian mailbox while the closing agent waits to release funds helps nobody.

If you do nothing

Some sellers decide the paperwork is not worth it, or find out about FIRPTA too late to apply. What happens then is not a disaster, but it is slow.

The full 15 percent goes to the IRS at closing. You wait for Copy B of Form 8288-A. You file a US non-resident return, Form 1040-NR, for the year of the sale, reporting the gain and attaching Copy B to claim the withholding. The IRS processes the return and refunds the difference between what was withheld and what you owe.

The filing deadline for that return, for a non-resident with no US wages, is June 15 of the year after the sale. If you had US wages with tax withheld, it is April 15. If you sell in March, your money sits with the IRS for well over a year before you can even file, and then several more months while the return is processed.

$60,000

Withheld on a US$400,000 sale, earning nothing for the better part of two years.

90 days

What it takes to avoid that, if the application goes in before closing.

The withholding certificate exists to stop exactly that.

A worked example

Two sellers, same condo, same price, different preparation.

Both bought a Florida condo for US$300,000 and are selling for US$400,000. Both have improvement receipts worth US$20,000, so the gain is about US$80,000 before selling costs. Both are selling to a buyer who plans to rent the unit out, so the residence exceptions do not apply.

SELLER A: DID NOTHING

Seller A has heard of FIRPTA but assumes it is handled at closing. On closing day, US$60,000 goes to the IRS. Seller A files a US return the following year, claims the withholding against the actual tax owed on the US$80,000 gain, and receives a refund of the difference roughly 18 to 24 months after the sale.

SELLER B: APPLIED EARLY

Seller B applied for an ITIN and filed Form 8288-B six weeks before listing, notified the buyer in writing when the offer was accepted, and listed the closing agent as a contact. The IRS issued a withholding certificate before closing, based on the estimated tax on the US$80,000 gain. The closing agent held back only that amount. Seller B walked away from closing with tens of thousands of dollars more in hand than Seller A, and still filed the same US return the following year to settle the exact figure.

The condo was the same. The tax owed was the same. The only difference was when the paperwork started.

END OF CHAPTER TWO

What to do this week

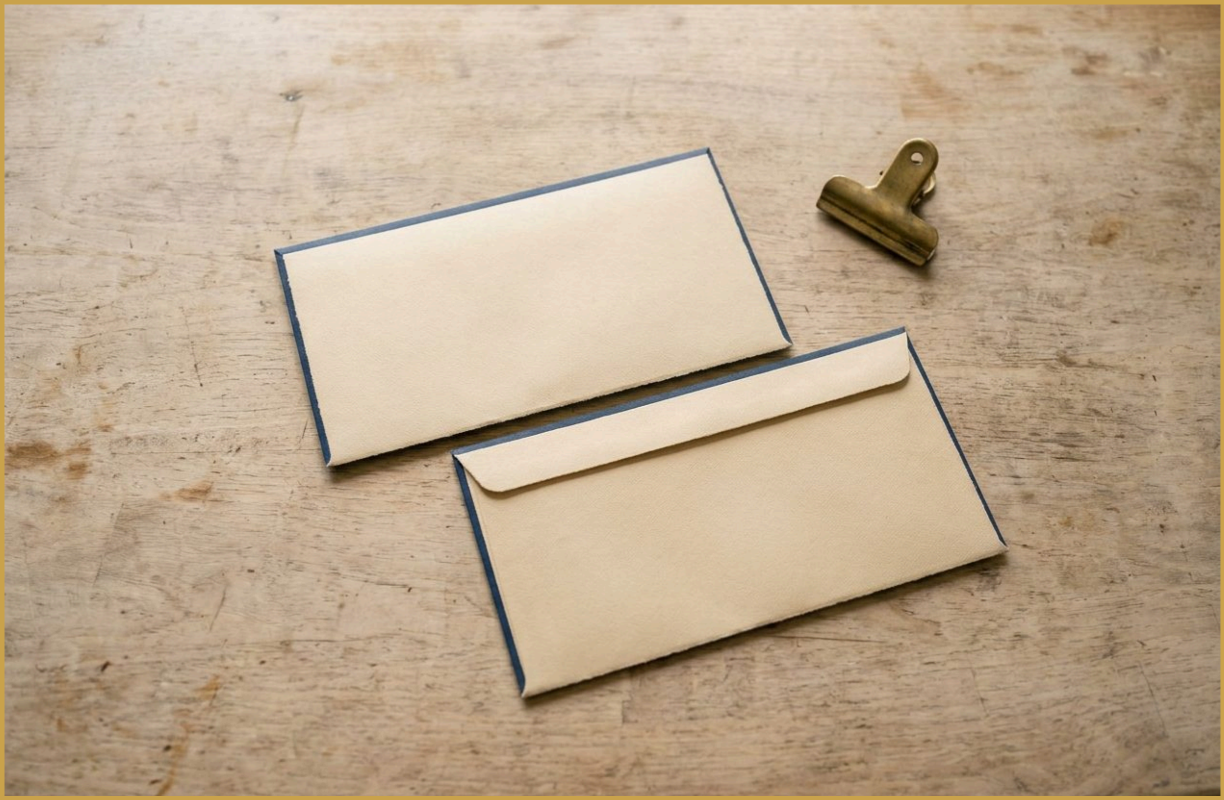
1. Check whether you have an ITIN. If not, get Form W-7 started with your cross-border accountant now.
2. Ask them to prepare a rough calculation of your US gain so you can file Form 8288-B as soon as you list.
3. Ask your realtor to tell any serious buyer early that you are a non-resident seller and that a withholding certificate application is pending, so nobody is surprised at the closing table.
4. Keep every piece of paper from this process, Copy B of Form 8288-A in particular.

> Tax rules change. Confirm with a qualified cross-border accountant before acting.
>
> Next: Chapter 3, what you owe on both sides, and how Copy B of Form 8288-A comes back into play in Canada.

CHAPTER THREE

What you owe, both sides

Two governments, one sale, filed in the right order.



QUICK ANSWER

The US taxes the gain because the property is there. Canada taxes it because you live here. You do not pay twice: the US tax you actually pay is credited against your Canadian bill. But Canada measures the gain in Canadian dollars, so its gain can be far larger than the US one, and the credit only covers the US tax. File the US return first, keep Copy B, and check whether Form T1135 applied while you owned the place.

Two governments, one sale

When you sell a property in the United States, two tax systems have a claim on the gain. The US gets first call because the property sits on its soil. Canada gets the second call because you live here, and Canada taxes its residents on everything they earn, anywhere in the world.

That sounds like paying twice. It is not, if you do it in the right order. The Canada-US tax treaty and Canada's own rules are built so that what you pay to the IRS is credited against what you owe Ottawa. But the two systems measure the gain differently, file on different dates, and use different currencies, and the gap between them is where sellers lose money. This chapter walks through both sides, starting with the US because that is the order you file in.

Why the US taxes first

The treaty settles it in one sentence. Gains from selling real property located in one country may be taxed by that country, even when the seller lives in the other. Your condo is in Florida, so the United States may tax your gain. Canada agreed to that when it signed the treaty.

The treaty does not stop Canada from taxing the same gain. It just requires Canada to give you credit for the US tax so you do not pay twice. More on that below.

FILE THIS ONE FIRST

The US side

What you report

The sale goes on a US non-resident income tax return, Form 1040-NR, for the year the sale happened. Even if the 15 percent withholding covered your tax in full, you still file. The return is how you claim the withholding back. Attach Copy B of Form 8288-A, the stamped record of the withholding from Chapter 2.

How the gain is calculated

In US dollars. Your sale price, less selling costs, less what you paid for the property, less the cost of improvements you can document. If you rented the property out and claimed depreciation on US returns, that depreciation reduces your cost and increases your gain. The IRS also taxes the recaptured depreciation at its own rate. Bring every US return you filed while you owned the place.

The US return is not optional paperwork. It is the mechanism that gets your withholding back.

What rate you pay

The US rate on a gain depends on how long you owned the property and how large the gain is. For a property held more than a year, the long-term rates are generally lower than the rates on ordinary income. The exact figures change with tax law and are not stated in this book on purpose. Your cross-border accountant will apply the rate for the year you sell.

State tax

Some states charge their own income tax on the gain. Florida has none. Arizona and California do. If you owned in a state with income tax, you will file a state return as well as the federal one, and you may have state withholding at closing on top of FIRPTA. Ask before you list.

WHEN TO FILE

June 15 of the year after the sale for a non-resident with no US wages. April 15 if you had US wages with tax withheld. Miss it, and you delay your refund and risk penalties.

Two other US forms you may hear about

If you spend enough winters in the US to meet the substantial presence test, you may need to file Form 8840 to show you have a closer connection to Canada, so the IRS does not treat you as a US resident for tax purposes. If your accountant takes a position under the treaty on your return, it is disclosed on Form 8833. Neither is specific to the sale, but both come up for snowbirds who sell.

FILE THIS ONE SECOND

The Canadian side

Canada taxes the gain because you live here. Canada taxes residents on their worldwide income. A profit on a US condo is part of that income. You report it on your Canadian return for the year of the sale, in the capital gains section, the same as if you had sold a cottage in Muskoka.

Only part of the gain is taxable. Canada does not tax the full gain. It includes a set percentage of it in your income, called the taxable capital gain, and you pay tax at your normal rate on that portion. The percentage is set by law and has changed in the past, so confirm the rate for your year of sale.

Canada calculates the gain in Canadian dollars

This is the rule that catches people. Canadian tax law requires that your tax results be worked out in Canadian currency. Any amount in a foreign currency has to be converted using the spot rate on the day the amount arose. For any day after February 28, 2017, that rate is the one published by the Bank of Canada for that day. For the gain itself, the CRA says the rate should approximate the rate at the time the gain was realized.

In practice: your purchase price is converted at the rate on the day you bought. Your sale price is converted at the rate on the day you sold. Your gain is the difference between those two Canadian-dollar figures. If the Canadian dollar fell between the two dates, your Canadian gain is bigger than your US gain, sometimes by a lot. Chapter 1 showed how a US$50,000 gain can become a Canadian gain three times that size on the currency alone.

The foreign tax credit prevents double taxation

Canada's rules say plainly that the foreign tax credit exists so foreign income is not taxed twice, by letting the income tax you paid to the other country offset your Canadian tax. The credit is a deduction from the Canadian tax you would otherwise pay. And the CRA confirms that US tax on what Canada would call a capital gain counts as an income or profits tax for this purpose.

So the US tax you paid, including the part settled through the FIRPTA withholding, reduces your Canadian bill on the same gain. That is why you keep Copy B of Form 8288-A and your filed 1040-NR. The CRA will want proof of what you actually paid, not what was withheld.

THE CREDIT HAS LIMITS

The credit cannot be more than the Canadian tax on that same income. If the US taxed you on a US$50,000 gain and Canada is taxing you on a much larger Canadian-dollar gain because of the currency, the credit covers the US tax in full, but you still owe Canadian tax on the extra. If the reverse happens and the US tax is higher than the Canadian tax on that income, Canada does not refund the excess. This is the single most common reason a seller ends up paying more in total than they expected, and it is a currency problem, not a tax problem.

When to file in Canada

Your Canadian return for the year of the sale is due on the normal date, April 30, or June 15 if you or your spouse have self-employment income. That is before or at the same time as your US return. If you do not file the US return when you file in Canada, your accountant estimates the US tax for the credit and adjusts later. It is far cleaner to have both prepared together by the same person.

Form T1135: the form you may have missed

While you owned the property, Canada may have required you to report it every year on Form T1135, the Foreign Income Verification Statement. Canadian residents who at any time in the year own specified foreign property costing more than $100,000 must file it. The $100,000 is the cost in Canadian dollars, not the current value.

A purely personal-use property, a vacation home you never rented out, does not count as specified foreign property. Rent it out even once and it does. If you rented your US place out, even part of the year, and its cost was above $100,000, T1135 almost certainly applied.

This matters at sale time because the penalties are steep and increase the longer the form is missing.

What a missing T1135 costs

SITUATION	PENALTY
Late or not filed	$25 a day for up to 100 days, minimum $100, maximum $2,500
Not filed knowingly or through gross negligence	$500 a month for up to 24 months, maximum $12,000, less penalties already charged
Still not filed after 24 months	5 percent of the cost of the foreign property, less penalties already charged
False statement or omission made knowingly	The greater of $24,000 or 5 percent of the cost of the property

If you never filed T1135 and should have, you need to find out before you report the sale, not after the CRA connects the dots. A cross-border accountant can tell you whether the form applies and whether a voluntary disclosure makes sense. Do not guess, and do not skip the question because it is uncomfortable.

The principal residence question

Canadians can shelter the gain on their principal residence from tax. Most people assume that only applies to a home in Canada. It does not. The CRA allows a property outside Canada to be designated as your principal residence for a year if you ordinarily inhabited it in that year, subject to the usual rule that a family can designate only one property per year.

For a snowbird who owns a condo in Toronto and a condo in Fort Myers, this is a real planning choice. Designating the Florida condo for some of the years you owned it may reduce or eliminate the Canadian tax on its gain, at the cost of exposing some of the gain on the Toronto property when you eventually sell that. Whether it is worth it depends on which property gained more, in Canadian dollars, over the years. This is not a do-it-yourself calculation. Raise it with your accountant before the sale closes, because the designation is made on the return for the year you sell.

It does nothing for the US tax. The IRS does not care what Canada calls your principal residence.

ONE PROPERTY PER YEAR, PER FAMILY

Every year you designate the Florida condo is a year you cannot designate the Canadian home. The right answer depends on which property gained more in Canadian dollars, and on when you expect to sell the other one. Ask before the sale closes, not at tax time.

A worked example

Back to the condo from Chapter 1. Bought in 2012 for US$300,000 when the Canadian dollar was near par. Sold in 2026 for US$350,000 when the Canadian dollar was worth about 73 US cents. Improvements of US$20,000, selling costs of US$20,000, no rental history, no depreciation. All figures below are illustrative and rounded.

UNITED STATES

US$10,000

Gain in US dollars: 350,000 less 20,000 selling costs less 300,000 purchase less 20,000 improvements. US tax on a US$10,000 long-term gain at the applicable rate is a modest amount, well under the US$52,500 held back at closing. The rest comes back as a refund after the 1040-NR is filed.

CANADA

C$131,000

Purchase converted at the 2012 rate, roughly C$300,000. Improvements at the rates on the dates paid, roughly C$22,000. Sale at the 2026 rate, roughly C$480,000. Selling costs roughly C$27,000. Half of the gain, which is the inclusion rate for 2026, is taxed at your marginal rate, less the foreign tax credit.

Same condo, same sale. The US saw a US$10,000 gain. Canada saw a C$131,000 gain.

The difference is the loonie, and no amount of tax planning changes what the currency did between 2012 and 2026. What you can control is how much of that C$480,000 you actually end up with when you convert it, and that is Chapter 5.

END OF CHAPTER THREE

What to do this week

1. Pull your purchase records and improvement receipts, and write down the date each payment was made. Your accountant needs the dates to look up the Bank of Canada rates.
2. Find every Canadian return from the years you owned the property and check whether T1135 was filed.
3. Ask your accountant two questions before you accept an offer: whether T1135 applied to you, and whether designating the US property as your principal residence for any year makes sense.

Tax rules change. Confirm with a qualified cross-border accountant before acting.

Next: Chapter 4, closing day and where the money goes.

CHAPTER FOUR

Closing day and where the money goes

Four minutes of decisions, at the end of a four-month sale.

QUICK ANSWER

You do not need to be in the room. Read the settlement statement line by line before you sign, and check the FIRPTA line and the spelling of your name against your ITIN. Then answer the one question that matters: where the proceeds go. Wire them to a US dollar account, so nothing is converted until you choose. Confirm the wiring details by phone on a number you looked up yourself.

What actually happens at closing

In most US states, a Canadian seller does not have to be in the room. You sign your documents ahead of time, often in front of a notary in Canada, and the closing agent or title company runs the day. On the day itself, the buyer's money arrives, the closing agent pays everyone owed, and whatever is left is yours.

That last part is where the decisions are. Most sellers spend months on the listing, weeks on the offer, and about four minutes on where the proceeds should go. Those four minutes can cost more than the realtor's commission.

The settlement statement

Before closing, you receive a settlement statement. In many states it is on a standard form called the ALTA settlement statement or, for some transactions, the closing disclosure. It lists every dollar coming in and going out. Read it line by line before you sign anything. The items you will see on the seller side, in roughly the order they appear, are on the next page.

> *Most sellers spend months on the listing and about four minutes on where the proceeds should go. Those four minutes can cost more than the realtor's commission.*

READ EVERY LINE

The seller's side

LINE	WHAT TO CHECK
Sale price	The figure the buyer agreed to pay.
Mortgage payoff	The closing agent gets a payoff figure from your lender and pays it directly. Check it against your own statement. Lenders sometimes add per diem interest through the closing date and a wire fee.
Commissions	Split between the buyer's and seller's agents according to your listing agreement.
Prorated taxes and association fees	You pay your share up to the closing date. If you prepaid, you get a credit back.
Title, escrow, recording	Who pays which varies by state and by contract. Florida and Arizona have different customs.
FIRPTA withholding	The 15 percent, the reduced figure if your certificate arrived in time, or the amount held in escrow if the application is still pending. The largest line after the mortgage payoff. Confirm the closing agent has your ITIN and your name spelled exactly as the IRS has it. A mismatch delays your refund by months.
State withholding	A separate line in some states, California among them.
Net proceeds to seller	What is left. This is the number the rest of this chapter is about.

The one question to answer before closing

The closing agent will ask you how you want your proceeds. You have four realistic choices, and the difference between the best and the worst of them on a US$400,000 sale can be several thousand dollars.

CHOICE ONE: DO NOT

A cheque

Some closing agents still offer one. A US dollar cheque deposited in Canada can take weeks to clear, may be subject to a hold, and when it does clear, the bank converts it at its own rate with no chance for you to shop the conversion. For a large amount, this is the most expensive option available.

CHOICE TWO: THE COMMON MISTAKE

A wire to your Canadian dollar account

The moment US dollars land in a Canadian dollar account, your bank converts them. You did not choose the rate, you did not compare it, and it was done at the bank's retail spread for incoming funds. Chapter 5 shows what that spread costs. The short version: a large amount of money, converted with no negotiation, at a rate you never saw.

CHOICE THREE: THE DEFAULT

A wire to a US dollar account

Either a US dollar account at your Canadian bank, or your US bank account if you have one. The money arrives as US dollars and stays as US dollars. Nothing is converted until you decide. It costs you nothing more than a wire fee, and it gives you time to decide when and through whom to convert. If you do not have one, your Canadian bank can open one in a few days, and it is worth doing before closing rather than after.

CHOICE FOUR: ONLY IF YOU HAVE DONE THE HOMEWORK

A wire directly to your currency provider

If you have already chosen who will convert the money and set up an account, the closing agent can wire the proceeds there directly. It saves one step and one set of fees. It only makes sense if you have done the comparison in Chapter 5 first and know the rate you are converting at. Never wire a large sum to a provider you have not checked out, and never on the strength of a phone call from someone who contacted you.

BEFORE YOU SEND ANY DETAILS

Confirm the wiring instructions by phone, on a number you looked up yourself.

Whichever choice you make, get the receiving account details in writing to the closing agent well before closing day, and confirm them by phone using a number you found yourself, not one from an email. Wire fraud around real estate closings is common, and sellers are targets as much as buyers. A fraudster who knows your closing date and sends the closing agent new wiring instructions on your behalf can take the entire proceeds in one afternoon. Closing agents know this and will not mind the extra call.

Fees you will see on the wire

An international wire from a US closing agent to Canada usually carries three separate charges, and it helps to know which is which so nobody blames the wrong party.

Between the closing agent's outgoing wire, any intermediary bank it passes through, and your receiving bank in Canada, expect fixed fees that together usually come to less than C$100. Ask each of them what they charge before closing day, and expect to see them again on the settlement statement.

Who charges it	What to ask
The closing agent's outgoing wire	Ask for their fee before closing day.
Any intermediary bank	Ask for their fee before closing day.
Your receiving bank in Canada	Ask for their fee before closing day.

On a US$400,000 *wire these fees are small change. The conversion rate is not, which is why Choice two is the expensive one and this table is not.*

The money arrives in Canada

Timing

A US domestic wire is often same-day. An international wire from the US to Canada usually lands the next business day, sometimes two, depending on when the closing agent sends it and how many banks it passes through. Do not book anything that depends on the money arriving on a specific day.

Reporting

When a large international transfer arrives, it is reported to the Canadian government. That is normal, and it is not about you. Money services businesses must file an Electronic Funds Transfer Report with FINTRAC when they receive an international electronic funds transfer of $10,000 or more in a single transaction. The threshold is in Canadian dollars. Smaller transfers adding up to $10,000 or more within 24 hours are reported too, under the 24-hour rule.

Your bank may call

You do not file anything. The bank or the provider does. Expect that whoever receives your money will ask where it came from, and a deposit far larger than your usual pattern often triggers a call from your branch or a temporary hold. Have the settlement statement ready. A property sale with a closing statement is the easiest source of funds there is to document, and answering promptly keeps the money moving.

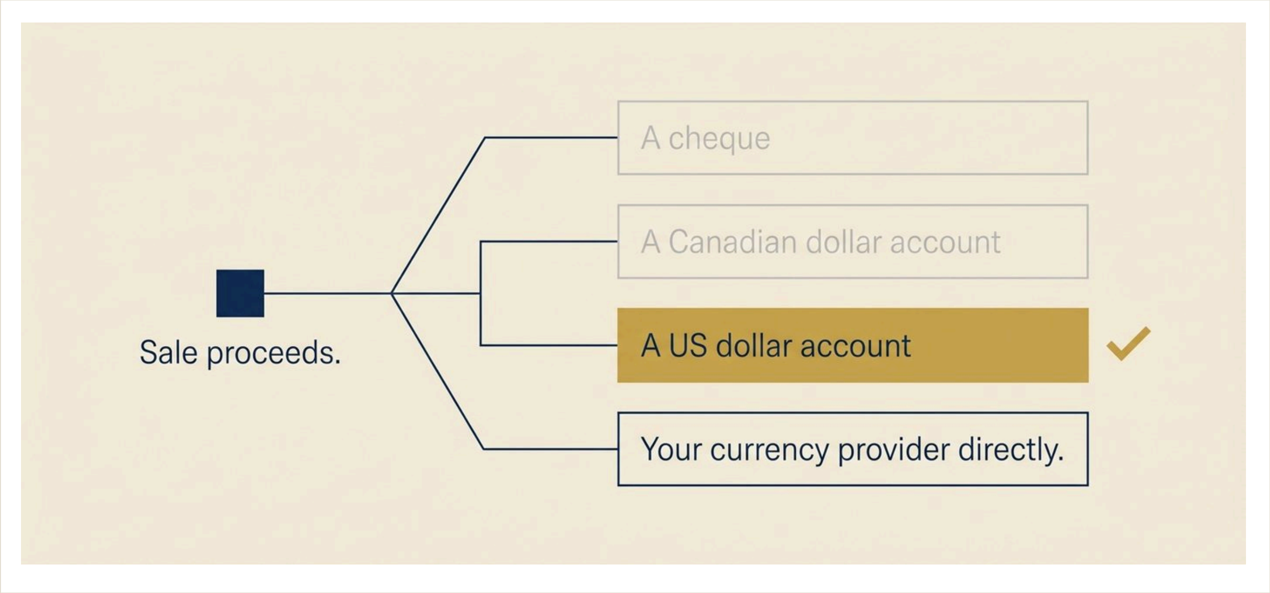
Your US bank account

If you kept a US chequing account while you owned the property, decide what to do with it.

If you plan to keep spending time in the US, keep the account. It is useful for paying bills down there without converting every time. If the account earns interest, your US bank will want a Form W-8BEN on file to confirm you are a non-resident, so it does not withhold US tax on the interest. The form goes to the bank, not the IRS.

If you are done with the US, do not close the account yet. Wait until your FIRPTA refund has arrived and you have filed your final US tax return. The IRS pays refunds by cheque or by direct deposit to a US account. A US account makes that much simpler. Close it after the refund clears, not before.

Either way, a US dollar account in the US is not the same as a US dollar account in Canada for reporting purposes. If its balance and your other foreign holdings crossed the T1135 threshold in Chapter 3 while you owned the property, that form applied.



The pile of paper to keep

You will need these for two tax returns and possibly a CRA question years later. Scan them the week of closing and keep the originals.

- The signed settlement statement
- Copy B of Form 8288-A, when it arrives from the IRS
- Your withholding certificate, if you got one
- The wire confirmation, showing the exact US dollar amount sent and the date it left
- The receiving confirmation in Canada, showing the amount received and, if converted, the rate and date
- Your realtor's commission statement and the mortgage payoff letter

THREE DATES, THREE RATES

The date on the wire confirmation matters more than people expect. Chapter 3 explained that the CRA wants the gain measured in Canadian dollars at the rate on the day the amount arose. The closing date, the date the money was received, and the date it was converted can be three different days, each with a different rate. Your accountant will decide which one applies. Keep all three.

END OF CHAPTER FOUR

What to do this week

1. Open a US dollar account in Canada if you do not have one, before closing.
2. Give the closing agent your receiving account details in writing, and confirm them by phone on a number you found yourself.
3. Ask the closing agent for a draft settlement statement at least three days before closing, and read every line.
4. Do not let anyone convert your proceeds to Canadian dollars until you have read the next chapter.

Rules change. Confirm with a qualified cross-border accountant before acting.

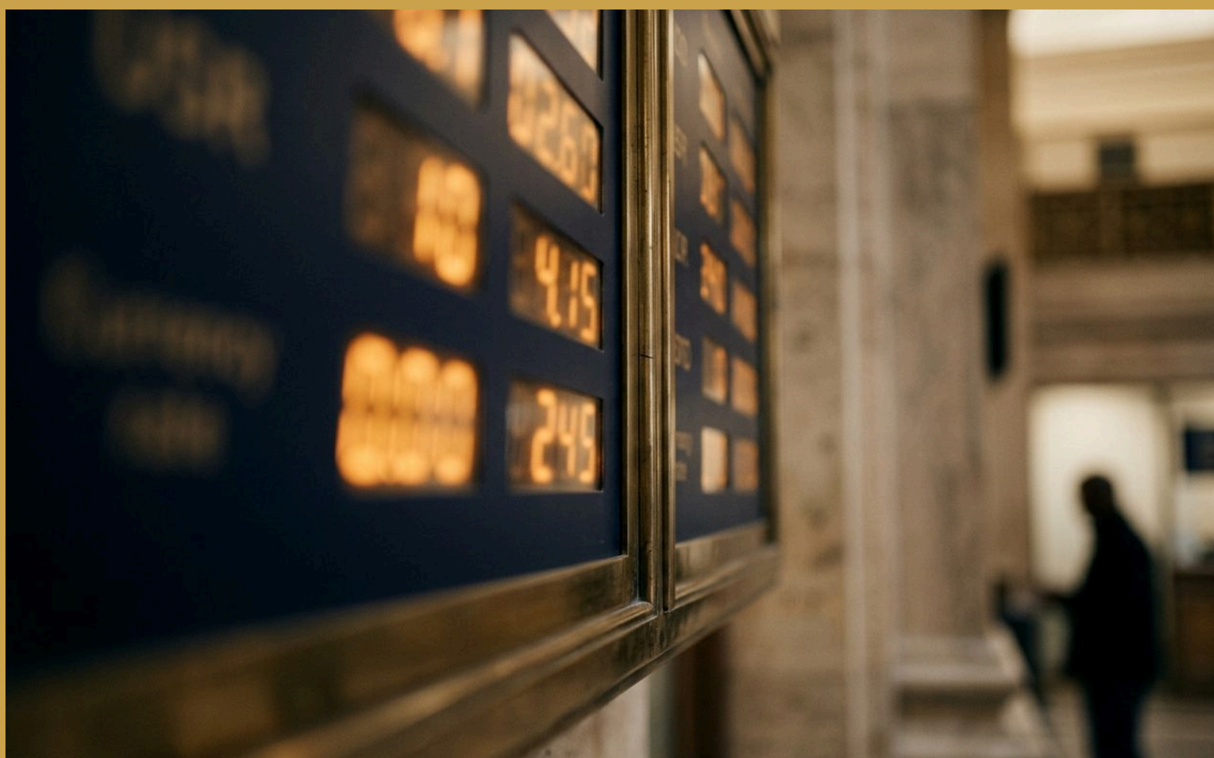
Next: Chapter 5, converting it: timing, spreads, and what to ask for.

CHAPTER FIVE

Converting it

Timing, spreads, and what to ask for

Wire fees are small. The spread is thousands.



QUICK ANSWER

There is no fee line for converting currency. The cost is buried in the rate, and on a property sale it runs into the thousands. Get a firm quote in writing from two or three providers, including your bank, divide the Canadian dollars by the US dollars, and compare the result to the market rate that day. That difference is what you are paying. Then decide your timing in advance, not the afternoon the wire lands.

The chapter I know best

Everything up to here has been about rules other people wrote. This chapter is about the part of the process I have spent my working life on, and I am going to be direct about it, including about my own company. You should know where I stand when you read it.

Here is the problem in one line. You have a large amount of US dollars. You need Canadian dollars. Whoever does the conversion charges you for it, and almost nobody tells you how much.

What a spread is

At any moment, banks trade US dollars for Canadian dollars with each other at a rate. Call it the market rate. The Bank of Canada publishes a version of it every business day. When you convert, you do not get the market rate. You get a rate that has been moved against you by some percentage. That percentage is the spread, sometimes called the markup or margin.

If the market rate is 1.37 Canadian dollars per US dollar and your bank gives you 1.335, the spread is about 2.6 percent. On US$400,000, that 2.6 percent is roughly US$10,400 that stays with the bank. It never appears as a fee. It shows up as a smaller number in your account than you expected, and most people never work out why.

The number to ask for is not the bank's fee. It is the rate, on your amount, today, in writing. The five-minute comparison later in this chapter shows you exactly how to ask.

> *There is no fee line for currency conversion. The cost is hidden inside the rate.*

What the alternatives charge

Banks are not the only option, and for an amount this size, they are rarely the cheapest.

Online transfer services

Some online services convert close to the market rate and charge a visible percentage fee instead of a hidden spread. They are transparent, which I respect, and for smaller amounts they are often the right answer. For very large amounts, check their transfer limits and how the fee scales, because a percentage fee on US$400,000 is still a meaningful number.

WHERE I HAVE AN INTEREST

Non-bank currency dealers

This is my business. Knightsbridge is one of several Canadian firms that do only foreign exchange, for amounts the banks treat as retail and we treat as our core work. Our markup runs from 0.1 to 0.8 percent depending on the amount, with larger transfers at the lower end (checked September 2026). Compare that to the 2.6 percent bank example earlier in this chapter, and you can see why property sellers are a large part of what we do.

I am not going to tell you we are the cheapest, because on any given day and any given amount I cannot promise that, and anyone who does promise it should make you suspicious. What I can tell you is how to check, which is the next section, and that you should check us the same way you check everyone else.

DO THIS ON THE DAY YOU CONVERT

How to compare anyone in five minutes

Do this on the day you plan to convert, and do it for every provider you are considering, including your bank.

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1 **Get the market rate.** Look up the current USD-to-CAD rate on a neutral source. The Bank of Canada daily rate works for a rough check. A live market feed on a major financial news site works for a same-minute check.

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2 **Get a firm quote, in writing.** Ask what Canadian dollar amount you will receive for your exact US dollar amount, and ask for it by email or on screen. Not "our rate is competitive." A number.

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3 **Do the math.** Divide the quoted Canadian dollars by your US dollars. That is your rate. Compare it to the market rate. The difference, as a percentage, is the spread you are being charged.

4 **Ask what else you pay.** Wire fees in and out, account fees, any charge for a rate hold. Add them to the spread cost. On a large amount they will be small, but ask anyway.

5 **Check that they are registered.** Any company that transfers money in Canada must be registered with FINTRAC as a money services business, and you can look up the registration on FINTRAC's public registry. Ask where your money is held between the time they receive it and the time they pay you. Knightsbridge's registration number is M09819788. Look it up rather than take my word for it.

> If a provider will not give you a firm number, will not tell you their registration, or pressures you to decide before you have compared, walk away. There is always another provider.

When to convert

Nobody knows where the Canadian dollar is going next month. Not me, not your bank, not the economist on television. What you can do is decide how to handle not knowing, and there are two sensible approaches.

Convert it all at once

Simple, done, no second-guessing. If you need the money for something specific, this is usually right. The tax is the same either way, and holding US dollars while waiting for a better rate is itself a bet.

Convert in stages

Half now, half in a month, or a quarter each month for four months. You will not convert all of it on the strongest day, but you also will not convert all of it on the weakest.

NOT FOR INDIVIDUAL SELLERS

Locking a rate months in advance with a forward contract. Businesses use these to fix costs. For personal clients, including property sellers, Knightsbridge does not offer forward contracts, and I would be cautious about any provider that pushes one on a retiree.

The tax angle on timing

Chapter 3 explained that the CRA measures your gain in Canadian dollars at the rate on the day the amount arose. Holding US dollars after closing and converting later does not change that calculation. It does create a second thing to track: if you hold US$400,000 for six months and the rate moves, you have a foreign currency gain or loss on the cash itself when you finally convert, separate from the property gain. Small amounts are exempt. A property sale is not a small amount. Tell your accountant the dates and amounts of every conversion.

A worked example

The condo from Chapters 1 and 3 again. Net proceeds after the mortgage payoff, commissions, closing costs, and FIRPTA withholding come to US$250,000. The seller needs Canadian dollars to pay down a line of credit in Ontario.

Three ways the same US$250,000 can come home. Wired into a Canadian dollar account and converted at the bank's posted rate, the spread is often around 2.6 percent. Ask the same bank for a preferred rate and it may come down to somewhere near 1.8 percent. A non-bank dealer will typically quote well under 1 percent on an amount this size. The gap between the first route and the third is about two percent of the money. On US$250,000 that is roughly US$5,000, whatever the exchange rate happens to be that day.

US$5,000

The gap between converting at a posted bank rate and shopping the rate, on US$250,000, whatever the exchange rate is that day.

5 minutes

What it took to close that gap: reading a quote before saying yes.

The seller did nothing different except read a quote before saying yes. I have seen that gap smaller, and I have seen it much larger. I have rarely seen it disappear.

END OF CHAPTER FIVE

What to do this week

1. If closing is coming, open the US dollar account from Chapter 4 so the proceeds can land without being converted.
2. Pick two or three providers, including your bank, and run the five-minute comparison on a test amount so you know how each one works before the real money arrives.
3. Decide, in advance, which of the two timing approaches you are going to take, and write it down.

The worst decisions I see are the ones made the afternoon the wire lands.

The year after the sale is your accountant's. Give them the dates and amounts of every conversion, and this book has done its job.

About the author

Rahim Madhavji is the President of Knightsbridge Foreign Exchange Inc., a Toronto currency exchange company he founded in 2009. Since then, the firm has helped more than 150,000 clients exchange over $30 billion, a large share of it for Canadians who live, work, buy, sell, or do business across the border. Knightsbridge is registered with FINTRAC as a money services business (registration M09819788) and is regulated by the AMF in Quebec.

Before Knightsbridge, Rahim worked in investment banking at RBC Capital Markets and in private equity at TorQuest Partners. He holds an HBA from the Ivey Business School.

Rahim created one of the fastest-growing companies in Canada, as ranked by the Globe and Mail and the Financial Times. He appeared on Dragons' Den in 2019 and received a $1 million offer on air from four Dragons. He is a regular commentator on currency for BNN Bloomberg, CTV News, the Globe and Mail and CBC, and is a former member of the Forbes Finance Council.

This is the second book in a four-part series. The first, *The Snowbird's Money Book*, follows what a winter in the United States actually costs a Canadian and how to pay for it.

You can find Rahim's writing at knightsbridgefx.com/author/rahim-madhavji.

The sale is the easy part. The money is where it gets expensive.

FIRPTA holds back a share of the price at closing. Two tax systems want to hear about the same sale, in two currencies, on two different dates. And the last step, turning US dollars into Canadian ones, is the one nobody quotes you on. This book follows the money from listing to landing.

Daily conversations since 2009 with Canadians moving money across the border, in one short book.

More at knightsbridgefx.com/author/rahim-madhavji

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