

# IRS News Release

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## **IRS Simplifies Procedures for Favorable Tax Treatment on Canadian Retirement Plans and Annual Reporting Requirements**

IR-2014-97, Oct. 7, 2014

WASHINGTON — The Internal Revenue Service today made it easier for taxpayers who hold interests in either of two popular Canadian retirement plans to get favorable U.S. tax treatment and took additional steps to simplify procedures for U.S. taxpayers with these plans.

As part of this, the IRS provided retroactive relief to eligible taxpayers who failed to properly choose this benefit in the past. In addition, the IRS is eliminating a special annual reporting requirement that has long applied to taxpayers with these retirement plans.

Under this change, many Americans and Canadians with registered retirement savings plans (RRSPs) and registered retirement income funds (RRIFs) now automatically qualify for tax deferral similar to that available to participants in U.S. individual retirement accounts (IRAs) and 401(k) plans. In general, U.S. citizens and resident aliens qualify for this special treatment as long as they filed and continue to file U.S. returns for any year they held an interest in an RRSP or RRIF and include any distributions as income on their U.S. returns.

The change relates to a longstanding provision in the [U.S.-Canada](#) tax treaty that enables U.S. citizens and resident aliens to defer tax on income accruing in their RRSP or RRIF until it is distributed. Otherwise, U.S. tax is due each year on this income, even if it is not distributed.

In the past, however, taxpayers generally would get tax deferral by attaching [Form 8891](#) to their return and choosing this tax treaty benefit, something many eligible taxpayers failed to do. Before today's change, a primary way to correct this omission and retroactively obtain the treaty benefit was to request a private letter ruling from the IRS, a costly and often time-consuming process.

Many taxpayers also failed to comply with another requirement; namely that they file Form 8891 each year reporting details about each RRSP and RRIF, including contributions made, income earned and distributions made. This requirement applied regardless of whether they chose the special tax treatment. The IRS is eliminating Form

8891, and taxpayers are no longer required to file this form for any year, past or present.

The revenue procedure does not modify any other U.S. reporting requirements that may apply under the Bank Secrecy Act (BSA) and section 6038D. See [FinCEN Form 114](#) due by June 30 of each year, and [Form 8938](#) attached to a U.S. income tax return for more information about the reporting requirements under the BSA and section 6038D. Different reporting thresholds and special rules apply to each of these forms.

Further details on today's change can be found in Revenue Procedure 2014-55, posted on IRS.gov.