

Twelve things to settle before you sell south

For Canadian corporations expanding into the United States. Rules current to 15 October 2026.

- ☐ **Test all five activity levels**
Fixed place, employees, agents who can sign, inventory, project sites.
- ☐ **Date the start of US activity**
The filing obligation runs from the activity, not from incorporation.
- ☐ **Build a nexus register**
Where staff work, where property sits, where sales happen, by state.
- ☐ **Test economic nexus state by state**
Commonly \$100,000 or 200 transactions. Every state sets its own rule.
- ☐ **Test income tax and sales tax separately**
States treat the two differently. One threshold does not answer both.
- ☐ **Choose the entity with both systems in view**
An LLC can be classified one way in the US and another in Canada.
- ☐ **File Form 1120-F by April 15**
After fiscal year-end, whether or not any tax is payable.
- ☐ **File protectively where you claim the treaty**
With Form 8833 disclosing the treaty-based return position.
- ☐ **Get W-8BEN certificates on file first**
Without one, 30% is withheld instead of the 5% or 15% treaty rate.
- ☐ **File Form 5472 on related-party dealings**
\$25,000 per missed return, plus daily fines after notice.
- ☐ **Document intercompany pricing as you go**
Contemporaneous files under section 247 showing arm's length pricing.
- ☐ **Keep the Canadian side current**
T1134 for foreign affiliates, T106, and FAPI on passive income.

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