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INVESTMENT, TAX AND LIFESTYLE PERSPECTIVES FROM RBC FAMILY OFFICE SERVICES

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How the “One Big Beautiful Bill Act” affects Canadians

A look at the potential tax and estate planning impacts

The H.R.1, budget reconciliation bill known as the “One Big Beautiful Bill Act” (OBBBA) was signed into law by President Trump on July 4, 2025.

When the Republicans took control of the White House and both chambers of Congress after the 2016 election, many tax policy changes were implemented, including those in the Tax Cuts and Jobs Act (TCJA) in 2017, which significantly reduced U.S. income taxes and increased the exemption thresholds for U.S. estate and gift taxes. A number of provisions in the TCJA were scheduled to sunset (expire) at the end of 2025, but the OBBBA made permanent most of the TCJA provisions that were scheduled to expire. The newly enacted bill also addresses other tax priorities of the Trump administration, including providing deductions to reduce income taxes on certain tips and overtime pay.

This article discusses some of the key changes that may be relevant to U.S. persons (the term “U.S. persons” collectively refers to U.S. citizens, green-card holders or U.S. residents) living in Canada. This article provides a high-level overview of the changes; please note many of these rules are complex and nuanced. With these factors in mind, it’s very important to consult with a qualified cross-border tax advisor to better understand how these changes may impact you.

Individual income tax

	Prior law	OBBBA
Individual income tax rate	<ul style="list-style-type: none"> Top marginal tax rate on taxable income lowered to 37% from 39.6%, set to expire after 2025. 	<ul style="list-style-type: none"> Makes TCJA rates permanent. All brackets continue to be indexed for inflation after 2025. The top marginal rate will remain 37%.
Standard deduction	<ul style="list-style-type: none"> Increased standard deduction amounts, set to expire after 2025. 	<ul style="list-style-type: none"> Permanently increases the standard deduction amounts; for 2025, raised the amount from US\$30,000 to US\$31,500.
Charitable deduction for individuals who claim standard deduction	<ul style="list-style-type: none"> No deduction was available. 	<ul style="list-style-type: none"> Beginning in 2026, creates charitable contribution deduction of up to US\$2,000, depending on filing status, for certain charitable contributions.
Itemized deductions and credits	<ul style="list-style-type: none"> Pease limitation (a law that limits a taxpayer's ability to claim all itemized deductions when their taxable income reaches a certain threshold) was repealed. Miscellaneous itemized deductions including, but not limited to, tax preparation fees and investment management fees were eliminated until 2026. 	<ul style="list-style-type: none"> The benefits of all itemized deductions limited to 35%. Permanently eliminates miscellaneous itemized deductions other than certain educator expenses.
Charitable deduction for individuals who claim itemized deductions (itemizers)	<ul style="list-style-type: none"> Itemizers could deduct their qualified charitable contributions, up to income limitations based on the type of contribution. 	<ul style="list-style-type: none"> Beginning in 2026, charitable contribution deduction for itemizers is only available if all the taxpayer's contributions exceed a new 0.5% income floor.
State and local tax (SALT) deduction	<ul style="list-style-type: none"> The SALT deduction including sales and property tax was limited to US\$10,000. 	<ul style="list-style-type: none"> Beginning in 2025, through 2029, the SALT deduction limit has been raised to US\$40,000. The deduction will be subject to a phaseout for certain income thresholds but will not be reduced below US\$10,000. The SALT deduction limit and phaseout threshold will increase annually by 1% starting in 2026, through 2029, and will revert to US\$10,000 in 2030 with no phaseout.
Qualified business income (QBI) deduction	<ul style="list-style-type: none"> TCJA created a 20% deduction for qualified business income (QBI), set to expire after 2025. 	<ul style="list-style-type: none"> The deduction is made permanent and beginning in 2025, increases the income thresholds for phaseout.

	Prior law	OBBBA
Alternative Minimum Tax (AMT)	<ul style="list-style-type: none"> Increased the AMT exemption amount and income thresholds for phaseout of the exemption, set to expire after 2025. 	<ul style="list-style-type: none"> Permanently extends the increased AMT exemption levels with modifications to the income thresholds for phaseout of the exemption. Beginning in 2026, the phaseout rate increases from 25% to 50%.
Child tax credit (CTC) and other dependents credit	<ul style="list-style-type: none"> CTC provides up to US\$2,000 credit per child, with up to US\$1,400 refundable (subject to income threshold) and was set to revert to US\$1,000 after 2025. The CTC has social security number (SSN) requirements. US\$500 nonrefundable credit for other dependents who do not qualify for the CTC, set to expire after 2025. 	<ul style="list-style-type: none"> Permanently increases the CTC and beginning in 2025, further increases the CTC to US\$2,200 per child, with up to US\$1,700 refundable, subject to enhanced income threshold, with inflation adjustments starting 2026. The SSN requirements are modified. Makes permanent the other dependents credit of US\$500, not indexed for inflation. Both credits are subject to phaseout for certain income thresholds.
Trump Accounts	<ul style="list-style-type: none"> Not available. 	<ul style="list-style-type: none"> Beginning in 2026, new tax-deferred savings accounts for children which allows withdrawals starting age 18, subject to SSN requirements.

Individual income tax rate

The U.S. personal income tax system is based on a graduated tax rate system, meaning you're subject to higher tax rates as your income increases. There are currently seven personal tax brackets that apply to ordinary income with the top marginal tax rate being 37%.

Absent the OBBBA, the highest marginal tax rate would have increased from 37% to 39.6% in 2026. However, the new bill permanently retains the highest marginal tax rate at 37%.

Itemized deductions and credits

For U.S. tax purposes, you can generally choose to deduct either the standard deduction or itemized deduction to arrive at your taxable income, whichever is more beneficial.

Under the new bill, all itemized deductions will now yield a maximum of US\$0.35 tax benefit for each U.S. dollar deducted. This will impact those who are in the 37% bracket, as the value of their itemized deductions will be reduced.

A new charitable contribution deduction will be available starting in 2026 even if you claim the standard deduction. The deduction is US\$1,000 for single filers and US\$2,000 for joint filers. If you itemize, you will only be able to claim a deduction for any qualified charitable contributions you make to the extent that they exceed 0.5% of your adjusted gross income (AGI). This change is also effective starting in 2026.

If you claim itemized deductions, you may consider accelerating any planned future donations and make the contributions in 2025 to avoid the 0.5% limitation that may be applicable to you in 2026.

Keep in mind, as a Canadian resident, you're generally subject to higher tax rates in Canada (combined federal and provincial tax rates) and there's the ability in most cases to claim foreign tax credits to reduce your Canadian and U.S. federal income tax liability. The changes to the itemized deductions may have little or no impact on your overall tax liability.

Qualified business income (QBI) deduction

Taxpayers, other than corporations, that have QBI from a domestic business operated as a sole proprietorship or through a partnership, S corporation, trust or estate, qualified real estate investment trust (REIT) dividends and qualified publicly traded partnership (PTP) income may claim a 20% QBI deduction on their U.S. tax return. This reduces the effective top rate on QBI from 37% to 29.6%. The QBI deduction is subject to various limitations depending on the type of business and a phaseout based on income thresholds. The increase to the phaseout range may allow taxpayers who were previously above the phaseout range to qualify for the deduction, and taxpayers within the phaseout ranges may qualify for a higher deduction.

Canadian residents who are U.S. persons who earn QBI may be able to claim this deduction. Keep in mind, Canadian residents are generally subject to higher Canadian individual income tax rates, and your ultimate tax liability is generally the higher of your Canadian and U.S. tax liability. As a result, this change may potentially have little or no effect on your overall taxes.

Alternative Minimum Tax (AMT)

The changes to the AMT under the TCJA eliminated AMT for most taxpayers and were set to expire at the end of 2025. The OBBBA permanently extends the increased AMT exemption and modifies the income thresholds for the phaseout of the exemption. The rate at which the AMT exemption is phased out is accelerated from 25% to 50% beginning in 2026, which may result in more taxpayers being subject to AMT.

Canadian residents who are subject to U.S. AMT may be subject to double taxation in certain cases; you should

consult with a qualified cross-border tax advisor to determine how these rules may affect you.

New Trump Accounts

A new type of tax-deferred savings accounts is introduced by the OBBBA. The new Trump Accounts are designed for parents and others to contribute to savings for a child to use after turning 18 years old. The beneficiary child must have an SSN.

The U.S. federal government will make a US\$1,000 seed deposit into the account for certain children born in 2025 through 2028, and a maximum of US\$5,000 can be contributed annually. Employers may also be permitted to contribute up to US\$2,500 annually that's not taxable to the employee but would count towards the annual US\$5,000 limit. These contributions into the account grow tax-deferred; however, any withdrawals from the account are only permitted when the child turns 18, at which point the account will follow the rules currently in place for individual retirement accounts (IRAs). As such, early withdrawals before age 59-and-a-half are still generally subject to a 10% penalty, with some exceptions.

There are also limitations on what you can invest in inside the Trump Accounts. At a very high level, the funds in the account must be invested in a qualified mutual fund which is generally limited to index funds composed of equity investments in primarily U.S. companies.

If you're a Canadian resident who has a Trump Account, you should speak with your qualified cross-border tax advisor to confirm the Canadian tax implications of this account.

Estate and gift tax

	Prior law	OBBBA
Rates	<ul style="list-style-type: none"> Marginal rates starting at 18% with a top tax rate of 40%. 	<ul style="list-style-type: none"> No changes.
Exemption thresholds	<ul style="list-style-type: none"> US\$10 million exclusion amount per individual indexed for inflation (US\$13.99 million in 2025), set to revert to the indexed amount of US\$5 million in 2026. 	<ul style="list-style-type: none"> Permanently increases exemption to US\$15 million for 2026 and indexed for inflation for future years.

Estate and gift taxes

The estate tax exemption of US\$13.99 million (for 2025) was set to revert to the amount under prior law in 2026, which would have reduced the exemption by half, adjusted for inflation. Since estate tax and gift tax are unified, the U.S. gift tax exemption was also subject to these changes. The OBBBA permanently increases the unified estate and gift tax exemption amount to US\$15 million beginning in 2026 (indexed to inflation). This change also applies to the generation-skipping transfer tax exemption.

The permanent increase in the exemption for U.S. estate and gift tax may benefit Canadian residents, especially if you're a U.S. citizen or domiciliary of the U.S. While the enacted legislation is not subject to an expiry, future changes to the exemption can be made by Congress. If you were contemplating gifting strategies to take advantage of the large exemption amount to reduce the value of your estate (and any future growth on those assets), you may want to review these strategies with your qualified cross-border tax advisor.

The permanent increase in the exemption for U.S. estate and gift tax may benefit Canadian residents, especially if you're a U.S. citizen or domiciliary of the U.S. While the enacted legislation is not subject to an expiry, future changes to the exemption can be made by Congress.

For Canadian residents who are not U.S. citizens, U.S. estate tax only applies to U.S. situs property and U.S. gift tax only applies to gifts of U.S. tangible property (e.g. U.S. real estate). The permanent increase in the exemption may also benefit Canadians who are not U.S. citizens or U.S. domiciliaries, since the Canada-U.S. tax treaty provides an enhanced prorated credit for U.S. estate tax that's based on the exemption available for U.S. citizens.

You should speak to a qualified cross-border tax advisor to determine how the increased exemption will affect you and your estate plan.

International tax

	Prior law	OBBBA
Corporate tax rates	<ul style="list-style-type: none"> Corporate tax rate of 21% and no corporate AMT. 	<ul style="list-style-type: none"> No changes.
Global Intangible Low-Taxed Income (GILTI) <i>*Only selected items noted due to complexity of these rules</i>	<ul style="list-style-type: none"> GILTI regime taxed income of non-U.S. corporations that are controlled by U.S. shareholders. With deduction under Section 250 of 50% and an 80% limit on foreign tax credit claims, the effective foreign tax rate to eliminate GILTI liability was generally 13.125%. Section 250 deduction was scheduled to decrease to 37.5% in 2026. 	<ul style="list-style-type: none"> Renames GILTI to "Net CFC tested income" (NCTI). Section 250 deduction is now set at 40% with a 90% limit on foreign tax credit claims; the effective foreign tax rate to eliminate NCTI liability is 14%.

Net CFC Tested Income (NCTI) (formerly known as Global Intangible Low-Taxed Income (GILTI))

The TCJA introduced the GILTI anti-deferral regime aimed to reduce the incentive for U.S.-based multinational corporations to shift profits from the U.S. to low- or no-tax jurisdictions. While targeted towards U.S. corporations, U.S. individual shareholders of controlled foreign corporations (CFC) can also be impacted. At a very high level, GILTI is generally the gross income of the foreign corporation less certain allowable deductions and passive income. If you're a U.S. person living in Canada and you're considered a U.S. shareholder of a CFC which

earns income that's GILTI, it would be included in your U.S. tax return and taxed at your graduated tax rates even though you received no distribution from the corporation.

A special election is available which allows you to be taxed on GILTI income at the U.S. corporate tax rate of 21% instead of the individual graduated tax rates. This is useful because corporations (or individuals making the election) are allowed the Section 250 deduction of 50% against their GILTI income and are also able to claim any tax paid to the foreign country as a foreign tax credit against their U.S. tax liability on GILTI. Prior to the

OBBBA, the foreign tax credit claim was limited to 80% of the tax actually paid. Effectively, this means as long as the foreign corporation paid at least 13.125% of tax in the foreign country on GILTI income, the U.S. shareholder will not have a U.S. tax liability on the GILTI income inclusion as a result.

Under the OBBBA, the Section 250 deduction has been reduced from 50% to 40%. The limit on foreign tax paid that can be claimed as a foreign tax credit has been increased from 80% to 90%. This means the effective rate of tax in the foreign country would now need to be at least 14% to eliminate the U.S. tax liability on income that's now referred to as NCTI. If you, as a Canadian resident U.S. shareholder, hold a CFC that paid Canadian corporate tax of 14% or more in the year on NCTI, you may not have any additional U.S. tax liability on the NCTI income inclusion.

The CFC regime, including the GILTI (now referred to as NCTI) rules, are very complex. The discussion in this section highlights some of the changes under these rules in a highly simplified manner. There may be other changes related to CFCs and NCTI under the OBBBA that may impact your situation and should be discussed with a qualified cross-border tax advisor.

Other provisions

“No tax” on tips and overtime pay

Tips and overtime compensation still need to be reported as compensation, but the OBBBA includes a new provision that allows eligible employees to deduct up to US\$25,000 for qualified tips and US\$12,500 for qualified overtime compensation. The deduction is available beginning in 2025 through 2028, subject to phaseout above certain income thresholds.

The definition of qualified tips and overtime compensation for the purposes of these deductions is nuanced and the Internal Revenue Service (IRS) will need to provide clarity on these new rules.

Elimination of the moving expense deduction and exclusion for qualified moving expense reimbursement

For tax years after 2017 through 2025, the TCJA suspended the deduction for moving expenses, and the exclusion from gross income and wages for reimbursements of qualified moving expenses, with the exception for active-duty military members. The OBBBA permanently eliminates the deduction for moving expenses and the exclusion from gross income for qualified moving expense reimbursement and modifies the exception to also include members of the intelligence community.

Under the OBBBA, the Section 250 deduction has been reduced from 50% to 40%. The limit on foreign tax paid that can be claimed as a foreign tax credit has been increased from 80% to 90%.

Excise tax on certain remittance transfers

The OBBBA includes a new provision that imposes a 1% excise tax on certain remittance transfers after December 31, 2025.

The excise tax applies to electronic transfer of funds made by a sender located in the U.S. to a recipient in a foreign country. All U.S. senders, including U.S. citizens and U.S. residents, are subject to this new rule. However, remittance transfers of funds that are withdrawn from U.S. bank accounts and certain financial institutions and those funded with a U.S. issued debit card or credit card would be exempt from the excise tax.

This new excise tax may affect individuals who are unable to open a U.S. bank account or obtain a U.S. issued debit or credit card. There are still some open questions around how broadly this legislation will be applied and additional guidance is required around the withholding and remittance process. Please speak to your qualified tax advisor on how these new rules may impact you.

Elimination of paper cheque disbursements and receipts

Effective September 30, 2025, the U.S. Treasury Department (“Treasury”) will stop sending and receiving paper cheques for a number of purposes that include tax refunds and social security disbursements. This change in policy is a result of an executive order that was issued in March 2025.

Instead of paper cheques, Treasury will transition to make all payments through electronic fund transfers. The executive order allows for certain exemptions from this policy. An individual who does not have access to banking services may be exempt from this new policy, but this exemption may be difficult to implement in practice.

If you're a U.S. citizen who lives in Canada, or a Canadian resident who worked temporarily in the U.S., this change in policy may make it difficult for you to receive a tax refund, pay an amount owing to the IRS or receive a social security payment.

Treasury has been provided feedback highlighting the challenges individuals may experience if they don't have a U.S. bank account and proposed solutions such as allowing credit card payments or streamlining a wire transfer process. However, additional guidance is still required.

Proposals that were not enacted

Section 899, proposed increase to U.S. withholding tax

Section 899, which previously proposed to increase U.S. withholding tax on U.S.-source income earned by Canadian investors (and other non-U.S. residents of certain countries which levy “extraterritorial taxes”), is not included in the enacted law.

The Republicans originally introduced proposed legislation intended to reinforce President Trump’s executive order rejecting the Organization for Economic Co-operation and Development (OECD) “Global Tax Deal.” The proposal targeted “unfair foreign taxes” such as the undertaxed profit rule and digital services tax and would have increased U.S. non-resident withholding tax on certain U.S.-source income.

However, after an understanding was reached with other G7 countries to exempt U.S. corporations from the global minimum tax, the U.S. withdrew Section 899 from the OBBBA and did not ultimately enact the provision.

Residence-based taxation

U.S. citizens are subject to U.S. income tax on their worldwide income because of their citizenship. Most countries impose income tax on your worldwide income only if you’re a resident of that country. In December 2024, a bill was introduced to allow U.S. citizens living

outside the U.S. to elect to be treated as a nonresident of the U.S., without renouncing their citizenship, and be subject to U.S. income tax only on U.S.-source income. However, the bill was not included in the OBBBA and has not progressed through the legislative process.

Conclusion

The OBBBA made permanent many of the tax provisions that were set to expire at the end of 2025. While many of these tax provisions may result in U.S. income tax savings, you’re also subject to Canadian tax as a Canadian resident. As such you should review your specific circumstances with a qualified cross-border tax advisor to determine if any of the new provisions will impact your overall tax liability.

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