



Ideas Changing the World

Americans Renouncing Citizenship in Record Numbers

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Experts say an overly complex tax system could be driving some Americans to give up their American citizenship, says Katie Little of CNBC.

So far this year, 2,369 people have either given up their U.S. passports or surrendered their green cards after long-term residency, a record-breaking number.

What would prompt citizens to renounce their citizenship?

- Unlike many countries, the United States taxes people based on citizenship rather than on residency. That means that if you move outside the country, you still have to file with the IRS, a process that can end up costing thousands of dollars.
- Andrew Mitchel, a tax lawyer in Centerbrook, Connecticut, cited the IRS crackdown on individuals with overseas accounts as one reason for the move overseas. "All this publicity has really made people more aware of these U.S. tax obligations and all of the penalties that can go along with not filling out the forms," he said, adding that penalties can be large enough to bankrupt even the wealthy.
- The Foreign Account Tax Compliance Act requires taxpayers to report information about foreign financial accounts and offshore assets, and further requires that foreign banks register with the IRS and report information about accounts held by American taxpayers. This complexity, says lawyer Robert W. Wood, is resolved by expatriation.

But while complicated tax reporting may be solved by expatriating, many expatriates have to get a visa to return to the United States. Moreover, the Reed Amendment does not allow individuals who renounce their citizenship for tax purposes to return to the United States, though Mitchel said that he does not believe that the law has ever been enforced.

Additionally, some expatriates are forced to pay an exit tax, which can result in large tax penalties for pensions as well as creating complications for inheritances.

Source: Katie Little, "[U.S. Taxpayers Are Expatriating at Record Rate](#)," Fiscal Times, November 18, 2013.