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Record Numbers Are Renouncing U.S. Citizenship

Newsmax

So far this year, a record 2,369 people have either given up their American passports or surrendered their green cards after long-term residency in the United States.

That is a 33 percent increase from the previous record set in 2011, when the Treasury Department published the names of 1,781 people who had given up their citizenship or green cards, and this year's total is likely to rise before year's end.

The chief reason cited for Americans renouncing their citizenship: avoiding U.S. taxes.

Unlike many other nations, the United States taxes people based on citizenship, not on residency. So Americans who move out of the country still have to file with the IRS.

Andrew Mitchel, a tax lawyer in Connecticut, attributes the increasing numbers of expatriates to "the IRS cracking down on people with overseas accounts."

He told CNBC: "All this publicity has really made people more aware of these U.S. tax obligations and all the penalties that can go along with not filling out the forms," which can be large enough to bankrupt an overseas American.

Renouncing U.S. citizenship not only removes the obligation to file with the IRS and pay U.S. taxes, it also solves a common problem for Americans living overseas.

"They don't want to tell foreign banks that they're an American, because the banks often don't want American money in the bank," said Robert Wood, a San Francisco-based attorney.

That's because a law requires American taxpayers to report information about certain foreign financial accounts and offshore assets, according to CNBC. And it requires foreign banks to register with the IRS and report information about accounts held by American taxpayers.

There is a potential downside to renouncing American citizenship, however. Those who do must obtain a visa to come back to the United States, and there is a risk the U.S. government will not let them in.

The Reed Amendment, introduced by then-Rep. Jack Reed, D-R.I., and enacted in 1996, states: "Any alien who is a former citizen of the United States who officially renounces United States citizenship and who is determined by the Attorney General to have renounced United States citizenship for the purpose of avoiding taxation by the United States is inadmissible."

But people are not required to state why they are renouncing their citizenship, and Mitchel said to his knowledge the law has never been enforced.