

Record number of Americans renounce citizenship thanks to tightening tax laws

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Eduardo Saverin.(AFP Photo / Roslan Rahman)

A record number of Americans renounced their citizenship or green cards in 2013, according to new data that may draw a complicated picture for US tax assessors who impose financial obligations on citizens living outside the country.

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A total of 2,999 men and women formally resigned their citizenship in 2013, surpassing the previous record of 1,781, which was set in 2011. Last year's total is also a steep 221 percent jump from the 2012 total of 932.

The US Treasury Department is required to publish a list of Americans who renounced their citizenship each quarter. The record was officially broken in November when the numbers for the third quarter of 2013 were published, indicating that there had already been 2,369 "expatriations," in the words of one expert, before the year ended.

No government agency records an American's reason for leaving – whether it be for family, convenience, or other factors – yet a number of sources have blamed restrictive tax laws that adversely impact US persons living abroad.

"Some go so far as to say that the US tax and disclosure laws are downright oppressive," tax attorney Robert Wood wrote in Forbes. "For those living and working in foreign countries, it is almost a given that they must report and pay tax where they live. But they must also continue to file taxes in the US. What's more, US reporting is based on their worldwide income, even though they are paying taxes in the country where they live."

Especially intimidating are the Foreign Bank and Financial Accounts (FBAR) reports that someone living overseas must complete once annually. Steep penalties – civil and criminal – await those who violate the terms of the FBAR forms.

Adding to that stress is the Fair and Accurate Credit Transactions Act (FACTA), which includes a stipulation requiring foreign banks to send information about Americans' income back to the US Internal Revenue Service. At least 22 nations – including Canada, Germany, the Cayman Islands, Switzerland, and the United Kingdom – have signed the deal in an attempt to help US lawmakers crack down on offshore tax evasion.

Many of the very wealthy Americans who decide to live elsewhere see major advantages to doing so, and can afford the move. One high-profile example is Eduardo Saverin, the billionaire Facebook co-founder who relocated to Singapore in 2012 in part because the island country in Southeast Asia does not impose a tax on capital gains, which makes up most of Saverin's fortune.

However, leaving the US can also be expensive. Anyone considering renouncing their US citizenship should consider that, if they have a net worth of over \$2 million or have had an annual average net income tax of \$155,000 or more over the past five years, they are eligible to pay an exit tax of 15

percent. Saverin's exit aroused so much anger in Washington that Senators Chuck Schumer (D-NY) and Bob Casey (D-PA) proposed doubling the exit tax to 30 percent.

David Lesperance, a Canadian attorney, told AOL's DailyFinance.com that the increase in the number of Americans hoping to begin paying taxes somewhere else has been noticeable.

"They are not bound to a particular location to maintain their wealth," he said. Rich citizens realize "things are not going to get better for us" and that "government at all levels are going to need money."