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5.5 Million Americans Eye Giving Up U.S. Citizenship, Survey Reveals

73% of Americans abroad are tempted to give up their U.S. passports, reveals a new survey by deVere Group, an independent financial advisory organization. There are an estimated 7.6 million Americans living overseas. At 73%, that's approximately 5,548,000 Americans weighing handing in U.S. passports.

If all those considering renouncing followed through, it would be the biggest spike ever in renunciations. Already, Federal Register data reveals renunciations spiked by 39% shortly after [FATCA](#)—the Foreign Account Tax Compliance Act—came into effect. FATCA is the culprit, says the survey, which is based on 400 expatriates.

73% have considered or are considering renouncing. 16% said they would not consider it, and 11% don't know. Nigel Green, founder and chief executive of deVere Group, comments: "It is alarming that nearly three quarters of Americans abroad said that they are going to or have thought about giving up their U.S. citizenship."



FATCA was quietly enacted in 2010, and after a four-year ramp up, is in effect. Never before has an American tax law attempted such an astounding reach. FATCA requires foreign banks to reveal Americans with accounts over \$50,000. Non-compliant institutions could be frozen out of U.S. markets, so everyone is complying.

FATCA grew out of a controversial rule. America taxes its citizens—and even permanent residents—on their [worldwide income](#) regardless of where they live. In 2009, the IRS struck a groundbreaking deal with UBS for \$780 million in penalties and American names. Recently, Credit Suisse took a guilty plea and paid a record \$2.6 billion fine, and over 100 other Swiss banks have settled.

FATCA was enacted to cut off companies from access to critical U.S. financial markets if they didn't pass along American data. More than 80 nations agreed to the law, as have 77,000 financial institutions. Tax havens have joined up, China did too, and even Vladimir [Putin signed a law to satisfy the U.S. Treasury](#). The [FATCA – Archive](#) lists participating countries and a searchable list of financial institutions is: [FFI List Search and Download Tool](#) and a [User Guide](#).

Foreign financial institutions (FFIs) must withhold a 30% tax if the recipient isn't providing information about U.S. account holders. FFIs must report account numbers, balances, names, addresses, and U.S. identification numbers.

FBARs predate FATCA, which *adds* to new burdens, including Form 8938. All these forms are serious, and so are the criminal and civil penalties. FBAR failures can mean fines up to \$500,000 and prison up to ten years. The numbers add up fast. See [Court Upholds Record FBAR Penalties, Exceeding Offshore Account Balance](#).

U.S. account holders who are not compliant have limited time to get to the IRS. The IRS [Offshore Voluntary Disclosure Program](#) or [Streamlined Program](#) should be considered, particularly when amending taxes and filing FBARs in a “[quiet disclosure](#)” could bring civil FBAR penalties or even prosecution. Caution is clearly in order.

Some dual nationals or U.S. Green Card holders think they can bypass FATCA—and other U.S. tax rules—by using a non-U.S. passport and non-U.S. address with their foreign bank. This may make it worse, handing the IRS another badge of willfulness. Your bank and the IRS will likely find out eventually, even if not right away.

You can reach me at Wood@WoodLLP.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.