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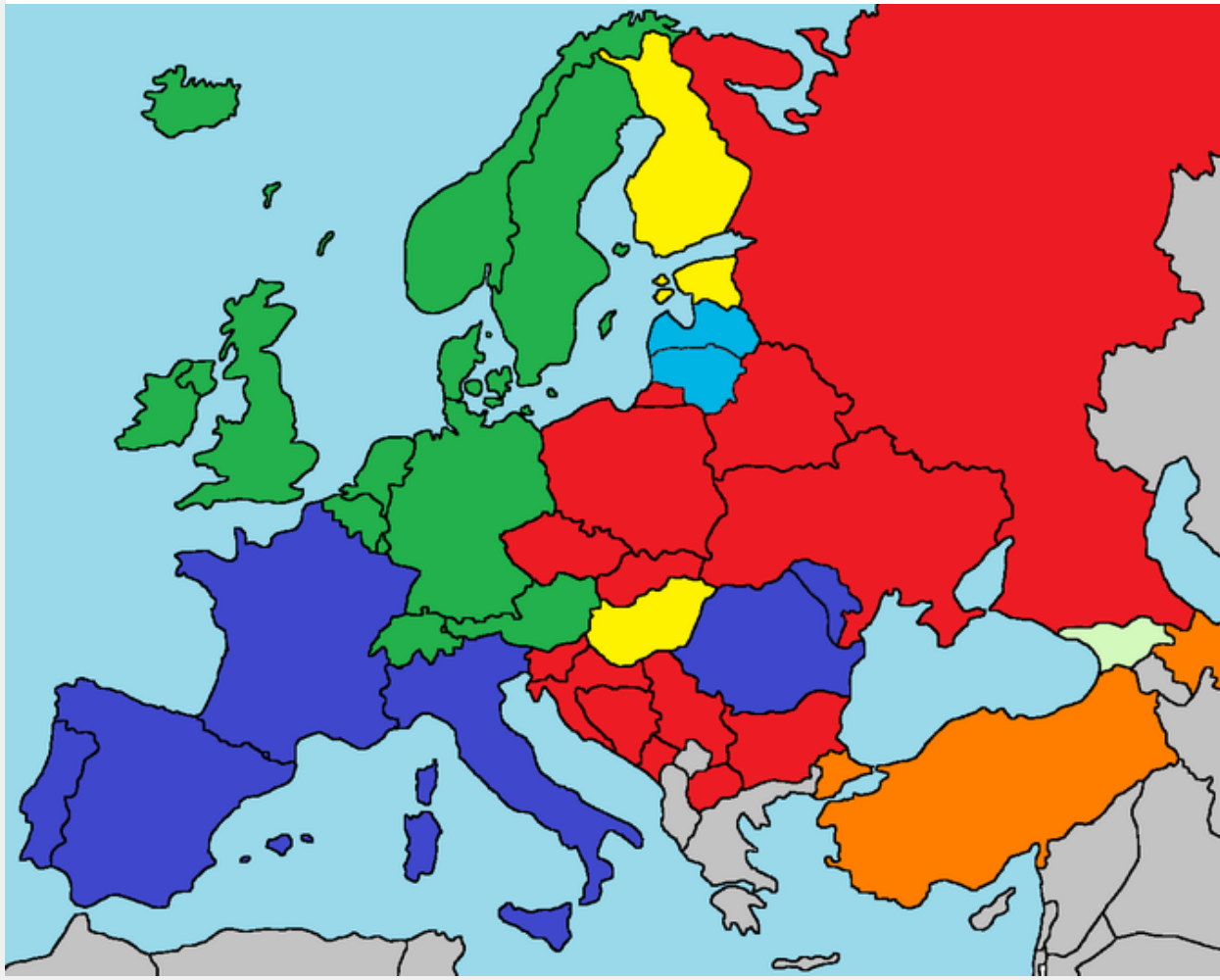
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# American Tax Hustle For U.S. Citizens Abroad

U.S. citizens abroad face an array of tax compliance dilemmas for themselves and their families. Americans must report their worldwide income regardless of whether they are paying local taxes where they live. They also must report their non-U.S. bank accounts on FBARs (now FinCEN Form 114) and file the FATCA Form 8938.

Unfortunately, many U.S. citizens living abroad are not compliant with the requirements for U.S. tax returns, FBARs, and Forms 8938. FATCA is not the only problem, but it has certainly made the situation worse. It is causing many expats to lose their banking relationships, home loans, and more. Sadly, it is causing some to give up U.S. citizenship.

FATCA Bank Notices. Many people are receiving notices from non-U.S. banks about certifying their U.S. compliance. Precisely [how, whether and when to respond can be delicate](#).



Main linguistic groups of Europe by majority of native speakers per country: Germanic in green, Romance in purple, Slavic in red, Finno-Ugric in yellow, Turkic in orange, Baltic in blue, and Kartvelian in peppermint green. (Photo credit: Wikipedia)

**IRS Streamlined Program.** For expats who qualify, the IRS Streamlined Program is a simple and inexpensive way to correct past problems. It can be ideal for a U.S. citizen living (and paying local tax) abroad with minimal tax owed to the U.S. The program involves filing U.S. tax returns for the last 3 years, FBARs for the last 6 years, and paying no penalties. Of course, once the person enters this program, he or she must remain in compliance with U.S. tax filing thereafter—unless he or she expatriates.

**IRS Offshore Voluntary Disclosure Program (OVDP).** This program is the primary one for taxpayers who want to come into compliance with the IRS. It is far broader and more inclusive than the IRS Streamlined Program. It involves filing up to 8 years of tax returns (or amended tax returns) and 8 FBARs. The client pays taxes, interest and a 20% penalty. Moreover, at the end of the case, the client pays an aggregate 27.5% penalty on the highest aggregate balance of the noncompliant accounts.

**IRS Quiet Disclosures.** This is a broad topic, and can encompass filing some tax returns or amended tax returns, and some FBARs. The IRS discourages quiet disclosures and they are often inappropriate for people who expect a pristine and risk-free approach. However, they can be appropriate in some cases.

**U.S. Expatriation.** Expatriation generally involves a tax component and a State Department component. The precise steps vary with the size of the person's assets and the extent of his or her U.S. tax compliance.

- **Fully Compliant, No Exit Tax.** For a person fully compliant with U.S. tax filing obligations with less than \$2,000,000 of assets, expatriating is relatively simple.
- **Fully Compliant, With Exit Tax.** For a person who is compliant with U.S. taxes and disclosures but is subject to the exit tax, planning can involve family transfers, appraisals of assets, etc.
- **Non-Compliant.** For a person who is not compliant with U.S. taxes and disclosures, expatriating generally involves either:
  - A consular expatriation in which the applicant obtains a Certificate of Loss of Nationality but files nothing with the IRS.
  - Some method of tax compliance via quiet disclosure, Streamlined Program or OVDP, followed by the formal expatriation and filing of Form 8854.

**U.S. Gift and Estate Tax.** Since expats are often looking at their alternatives, they may also consider gift and estate taxes. U.S. citizens are subject to estate tax on their assets, generally in excess of \$5,340,000. In some cases the concerns are more over U.S. citizen children and grandchildren. Estate tax worries can even lead to expatriation advice, since U.S. citizenship necessarily brings U.S. estate and gift tax exposure with it.

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