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Americans Renounce Citizenship In New Record Numbers

The U.S. Treasury Department's name and shame list of Americans who renounced citizenship in July, August, and September this year is up to 776. That's 2,353 renunciations for 9 months, and that means by year-end last year's 2,999 renouncers should be exceeded. For 2013, there was a 221% increase, with [record numbers of Americans renouncing](#).

Not many, you may say? True, but this [doesn't count everyone](#). Besides, [5.5 million Americans are considering it, a new survey reveals](#). The horror stories for Americans abroad are real, and involve basic banking, home loans, and other forms of what can only be called discrimination against Americans. Some U.S. persons abroad are taxed on their pension contributions, end up with big penalties, or at least the fear of them.

Some Americans get that status via birth and may not have filed anything with the IRS in the past. Some stopped filing with the IRS when they moved abroad. They may or may not owe U.S. taxes even if they are paying taxes where they live. But ironing out the difficulties can be daunting.



Over the last two years, the U.S. has had a spike in expatriations. It isn't exactly Ellis Island in reverse, but it's more than a dribble. The presence or absence of tax motivation is no longer relevant, but that could change. After [Facebook](#) co-founder [Eduardo Saverin](#) departed for Singapore, Senators Chuck Schumer and Bob Casey [introduced a bill](#) to double the exit tax to 30% for anyone leaving the U.S. for tax reasons. That hasn't happened, but taxes are still a big issue for many.

To leave America, you generally must prove 5 years of U.S. tax compliance. If you have a net worth greater than \$2 million or average annual net income tax for the 5 previous years of \$157,000 or more for 2014 (that's tax, not income), you pay an [exit tax](#). It is a capital gain tax as if you sold your property when you left. At least there's an exemption of \$680,000 for 2014. Long-term residents giving up a Green Card can be required to pay the tax too.

Now, the State Department interim rule just [raised the fee](#) for renunciation of U.S. citizenship from \$450 to \$2,350. Critics note that it's more than [twenty times the average level in other high-income](#)

[countries](#). The State Department says it's about demand on their services and all the extra workload they have to process people who are on their way out. Yet most people who have been through the process find this a little hard to believe.

A fee hike for processing such requests from \$450 to \$2,350 seems a little like charging for something that should be free. Dual citizens in Canada trying to shed their U.S. citizenship have [created a backlog](#) at the U.S. consulate in Toronto that stretches well into 2015. A decision to expatriate should never be taken lightly. Taxes or not, it can be a big step. And around the world, more people are talking about taking it.

Whether you think these numbers are big or worrisome, we should have a better way of resolving these issues than we do. The new IRS Streamlined program is a huge help, but some think it does not go far enough to help Americans abroad. And with FATCA, even if they are right with the IRS, they face continued difficulties with banking and finance that most Americans would consider basic.

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.