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Many Americans Renounce Citizenship, Hitting New Record

It may seem like a drop in the bucket, especially when droves want to immigrate to America. Still, the newly published [names of individuals](#) who renounced their U.S. citizenship or terminated long-term U.S. residency is up, with 576 for the quarter and 1,577 so far this year. The growing trend is a sad one as [Record Numbers of Americans Are Renouncing Their U.S. Citizenship](#).

For all the immigrant arrivals, the trickle the other direction is becoming more pronounced. The tally was [2,999 for all of 2013](#), a 221% increase over the 932 who left in 2012. The Treasury Department is required to publish a [quarterly list](#), a kind of public outing putting Americans on notice of who relinquished their rights. Consular expatriations, where people don't file exit tax forms with the IRS, are apparently not counted.

Indeed, the Treasury Department's published list states explicitly this is just those about whom the Secretary of the Treasury has data. It means these numbers are under-stated, some say considerably. Although tax law used to impact how one is taxed on departing the U.S., is no longer relevant *why* someone expatriates.

The law was changed in 2004, so tax consequences do not hinge on *why* one leaves. But that could change. After [Facebook](#) co-founder [Eduardo Saverin](#) departed permanently for Singapore with his IPO riches, there was an angry backlash. Mr. Saverin's fly-away prompted such outrage that 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.



(Photo credit: Wikipedia)

Most expatriations are motivated primarily by factors such as family and convenience. Complex or costly taxes can sway a decision but are often only one factor. Many now find America's global income tax compliance and disclosure laws inconvenient or even oppressive.

For U.S. persons 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 U.S. based on their worldwide income. Claiming foreign tax credit on one's U.S. returns generally does not eliminate all double taxes.

U.S. taxes are complex, and enforcement fears are palpable. Moreover, the annual foreign bank account reports known as [FBARs](#) carry civil and even criminal penalties. Civil penalties alone can

quickly consume the balance of an account. And then there is FATCA, which [requires](#) filing an annual [Form 8938](#) once foreign assets reach a threshold.

Yet the real teeth of FATCA is reporting and disclosure by foreign banks, the systematic turning over of American names by foreign banks all over the world. Even Russia and China have signed on, as have over 70 countries. Many foreign banks simply do not want American account holders, period.

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 \$155,000 or more (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. Long-term residents giving up a [Green Card](#) can be required to pay the tax too. See [High Cost To Go Green: Giving Up A Green Card](#).

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.

Contact 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.