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Many Americans Renounce Citizenship, Even Before President Trump

It seems crazy to call it [the 'New Normal', but once again, record numbers of Americans are renouncing citizenship](#). Every three months, the Treasury Department publicly [names individuals](#) who renounced. It is surely more about [FATCA](#), the Foreign Account Tax Compliance Act enacted in 2010, than it is about politics. Still, numbers are flying, with one [poll saying that 1 in 4 Americans would consider leaving if Trump is elected](#). Others claim they will leave if Hillary is elected.

In reality, of course, most who bristle about politics are not serious. And for those who are, they surely mean a temporary move, not a final exit. In contrast, giving up citizenship is a big deal. Yet the number of published expatriates for the first three months of 2016 was a record 1,158. In 2015, there were approximately [4,300 expatriations](#). Comparing present to past suggests that [Americans renouncing citizenship have risen 560% from their Bush administration high](#). There are now 18 times as many renouncers as in 2008.

Of course, these numbers seem tiny compared to the influx of immigrants. Yet expatriations have historically been much lower, making the uptick worrisome. Moreover, the published list is incomplete, with [many not counted](#). Surprisingly, no one seems to know exactly how big the real number is, even though the [IRS and FBI both track Americans who renounce](#). There is no single explanation, though some renounce because of global tax reporting and FATCA. One law adding to the mix is the [IRS power to revoke passports](#).

The reasons [for renouncing](#) can be family, tax and legal complications. Dual citizenship isn't always possible, as this [infographic](#) from MoveHub [shows](#). And leaving can be expensive. Some countries have no fee, but America charges \$2,350 to hand in your passport. That is more than [twenty times the average](#) of other high-income countries. The U.S. government has collected

about \$12.6 million in fees since the fall of 2014, after [hiking its fee to renounce citizenship by 422%](#). Some renouncers write [why they gave up their U.S. citizenship](#).



(Photo credit: Victor J. Blue/Bloomberg)

[FATCA](#) has been painstakingly implemented worldwide by President Obama's Treasury Department. It now spans the globe with a network of reporting that is unparalleled in the world. America is requiring foreign banks and governments to hand over secret bank data about depositors. Non-U.S. banks and financial institutions around the world must reveal American account details or risk big penalties.

America's global income tax compliance and disclosure laws can be a burden, especially for U.S. persons living abroad. Like pariahs, they may be shunned because of their American status by banks abroad. Foreign banks are sufficiently worried about keeping the IRS happy that many simply do not want American account holders. Americans living and working in foreign countries must generally report and pay tax where they live. But they must also continue to file taxes in the U.S., where reporting is based on their worldwide income.

Many claim a foreign tax credit, but it generally does not eliminate double taxes. Moreover, the annual foreign bank account reports called [FBARs](#) carry big civil and criminal penalties. Even civil penalties can quickly consume the

balance of an account, so enforcement fears are palpable. FATCA has [ramped up worldwide](#) and [requires](#) an annual [Form 8938](#) filing if foreign assets meet a threshold. Still, leaving America can be costly. To exit, you generally must prove 5 years of IRS tax compliance.

Plus, if you have a net worth greater than \$2 million or have average annual net income tax for the 5 previous years of \$160,000 or more, you can pay an [exit tax](#). It is a capital gain tax, calculated as if you sold your property when you left. A long-term resident giving up a [Green Card](#) can be required to pay the exit tax too. Sometimes, planning and valuations can reduce or eliminate the tax, but taxed or not, many are headed for the exits.

President [Obama has joked about his birth certificate, but accidental American status is no joke](#). Many end up in untenable financial situations, and [hiking the fee to renounce by 422%](#) didn't help. Previously, there was a \$450 fee to renounce, and no fee to relinquish. Now, there is a \$2,350 fee either way. The State Department said [raising the fee](#) was about demand and paperwork, but American expatriations still grew after the increase.

Presumably not many people will exit the U.S. after the Presidential election, regardless of who is elected. Even if those are temporary moves, perhaps there should be a fee for that too?

For alerts to future tax articles, email me at Wood@WoodLLP.com. This discussion is not legal advice.