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More Americans Renounce Citizenship, New List Released

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Every three months, the U.S. Treasury Department publishes a list of people who have renounced their U.S. citizenship. The latest list [names the individuals](#) who renounced their U.S. citizenship or terminated their long-term U.S. residency during the first three months of 2017. Although the list is meant to be of all those who [expatriated](#), there has long been debate about how complete these numbers are. The number of this quarter's list was 1,313. The total for calendar 2016 was 5,411, up 26% from 2015, when the total was [4,279 published expatriates](#). The 2015 total was 58% more than 2014.

These numbers may seem small, but expatriations have historically been much lower than these figures. There is no single explanation for the increase, although some renouncers write [why they gave up their U.S. citizenship](#). The reasons for renouncing can be family, tax and legal complications. The numbers are small compared to the influx of immigrants. However, giving up citizenship is a solemn step. Expatriating is rarely about politics, unless you call worldwide tax reporting and [FATCA](#) politics. The Foreign Account Tax Compliance Act was enacted in 2010, and took years to implement. It is having an impact bigger than these expat numbers reveal.

Despite the official list, [many leavers are not counted](#). Both the [IRS and FBI track Americans who renounce](#). Some renounce because of global tax reporting and FATCA. Dual citizenship is not always possible, as this [infographic](#) shows. [FATCA](#) has been painstakingly implemented worldwide by President Obama's Treasury Department. It now spans the globe with an unparalleled network of reporting. America requires 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 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. And getting into IRS compliance can be expensive and worrisome. A good recent example is Britain's Foreign Minister [Boris Johnson](#). It makes it all the more frustrating if the *reason* you are getting into compliance is so you can renounce! Kafka might appreciate that, but many people do not.

The exit when you make it can be expensive too. If you have a net worth greater than \$2 million, or have average annual net income tax for the 5 previous years of \$162,000 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.

America charges \$2,350 to hand in your passport, a fee that is more than [twenty times the average](#) of other high-income countries. The U.S. [hiked the fee to renounce by 422%](#), as 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 the number of American expatriations still increased after the fee hike.

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