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Reverse Immigration: Americans Renounce Citizenship In Record Numbers

There is another spike in the quarterly [name and shame list of those](#) who renounced their U.S. citizenship or terminated long-term U.S. residency. It means the [2015 third quarter published expatriates is at a record high](#). The tally for three months was 1,426, and although that may seem a trickle, it is the highest number ever. It surpasses the previous record of 1,335 for the first [three months of 2015](#). Many are noticing that [Americans renouncing citizenship is at an all-time high](#). Why?

It can be over family, tax and legal complications. Dual citizenship isn't always possible, as this [infographic](#) from MoveHub [shows](#). Some countries make citizens pay a fee to hand in their passport. Some countries have no fee, but America's \$2,350 fee is more than [twenty times the average level](#) in other high-income countries. Indeed, [Movehub](#) reveals that America has the highest fees in the world. Many now find America's global income tax compliance and disclosure laws to be a burden, some say downright oppressive.



(Photo credit: Victor J. Blue/Bloomberg)

No group is more severely impacted than U.S. persons living abroad. Americans abroad can be pariahs shunned by banks for daily banking activities. For those 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. What's more, U.S. reporting is based on their worldwide income, even though they are paying taxes in the country where they live.

Many can claim a foreign tax credit on their U.S. returns, but it generally does not eliminate all double taxes. These rules have long been in effect, but enforcement was historically less of a concern with expats. Today, enforcement fears are palpable. Moreover, the annual foreign bank account reports known as [FBARs](#) carry civil and criminal penalties all out of proportion to tax violations. Even civil penalties can quickly consume the balance of an account.

FATCA has [ramped up worldwide](#) and [requires](#) an annual [Form 8938](#) filing if foreign assets meet a threshold. Foreign banks are sufficiently worried about keeping the IRS happy that many simply do not want American account holders. 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 as if you sold your property when you left. Long-term residents giving up a [Green Card](#) can be required to pay the exit tax too. No one wants to pay an exit tax if they can avoid it. Sometimes planning and valuations can reduce or even eliminate the tax. But taxed or not, many still seem to be headed for the exits. Last year, dual citizens in Canada trying to shed their U.S. citizenship [created a backlog](#) at the U.S. consulate in Toronto. President [Obama has joked about his birth certificate, but accidental American status is no joke](#). Many end up in untenable financial situations.

The [U.S. has been criticized for hiking its fee to renounce by 422%](#) to \$2,350. The U.S. State Department said [raising the fee](#) was about demand and paperwork, but American expatriations still grew even after the increase. With global tax reporting and FATCA, the list of the [individuals](#) who renounce keeps going up, and [many aren't counted](#). No one seems to know how big the real number is, even though the [IRS and FBI both track Americans who renounce citizenship](#).

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