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Savvy London Mayor Boris Johnson Paid IRS, Is Now Renouncing U.S. Citizenship

It seems counterintuitive. Why pay the IRS and *then* renounce? Turns out it's the only way to do it safely and get the IRS off the hunt. London's Mayor Boris Johnson—a dual U.S. and British citizen—was hit with an IRS bill on his London house sale. His gain was exempt from U.K. tax, so no tax credits or other U.S. tax moves would satisfy the IRS.

Like many dual citizens and Americans living abroad, Mr. Johnson was caught within two tax systems. He publically railed against the worldwide U.S. tax regime, calling it “absolutely outrageous.” The Londoner was born in the U.S., but left at age 5. Still, the IRS wants its pound of flesh from his global income...*forever*. For a time, the tousled blond mayor refused to pay.

He had toyed years ago with renouncing his American passport, but [the BBC confirmed](#) he never gave it up, despite threats in [his column for the Spectator](#). His tax protests peaked in an [interview with NPR](#). In hindsight, perhaps Mayor Johnson should have renounced in 2006. More and more Americans are doing it, spiking in a 221% increase in 2013, with [record numbers of Americans renouncing](#).



(Image credit: Andrew Parsons)

Notably, the numbers on the list [do not count everyone](#). What's more, 73% of Americans abroad are tempted to give up their U.S. passports. Federal Register data reveals that renunciations went up dramatically after [FATCA](#)—the Foreign Account Tax Compliance Act. FATCA is America's global tax law, requiring governments and banks everywhere to report on Americans. That sounds bad enough, but there are now practical horror stories from FATCA.

Americans abroad may have trouble with basic banking and home loans. There are now many new 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. And renouncing, as Mr. Johnson has noted, isn't easy.

Besides, renouncing wouldn't have solved his current IRS tax bill. The IRS would keep trying to collect, and the statute of limitations might never run. Indeed, there was more than idle talk that Mayor Johnson could face arrest on his next U.S. visit. So he paid his "absolutely outrageous" U.S. tax bill. It was really the only way he could have solved it.

When you exit you must certify 5 years of U.S. tax compliance to the IRS. And any tax for the current or prior years must be paid. Some Americans get their U.S. status via birth and may not have ever filed returns with the IRS. Some stopped filing with the IRS when they moved abroad. They may owe U.S. taxes even if they are paying taxes where they live.

Ironing out the difficulties can be daunting. Apart from proving 5 years of U.S. tax compliance, leaving can trigger a U.S. exit tax. 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.

Pouring salt in the wounds, the U.S. State Department recently [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 new IRS Streamlined program is a huge help, but some think it does not go far enough to help Americans abroad.

For Mayor Johnson, as he completes the renunciation he has now said he will follow, it is clearly a smart move. Mayor Johnson has stressed his non-tax patriotic reasons for renouncing, though he denies he's eyeing the Prime Minister chair. His commitment, he notes, is to Britain.

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