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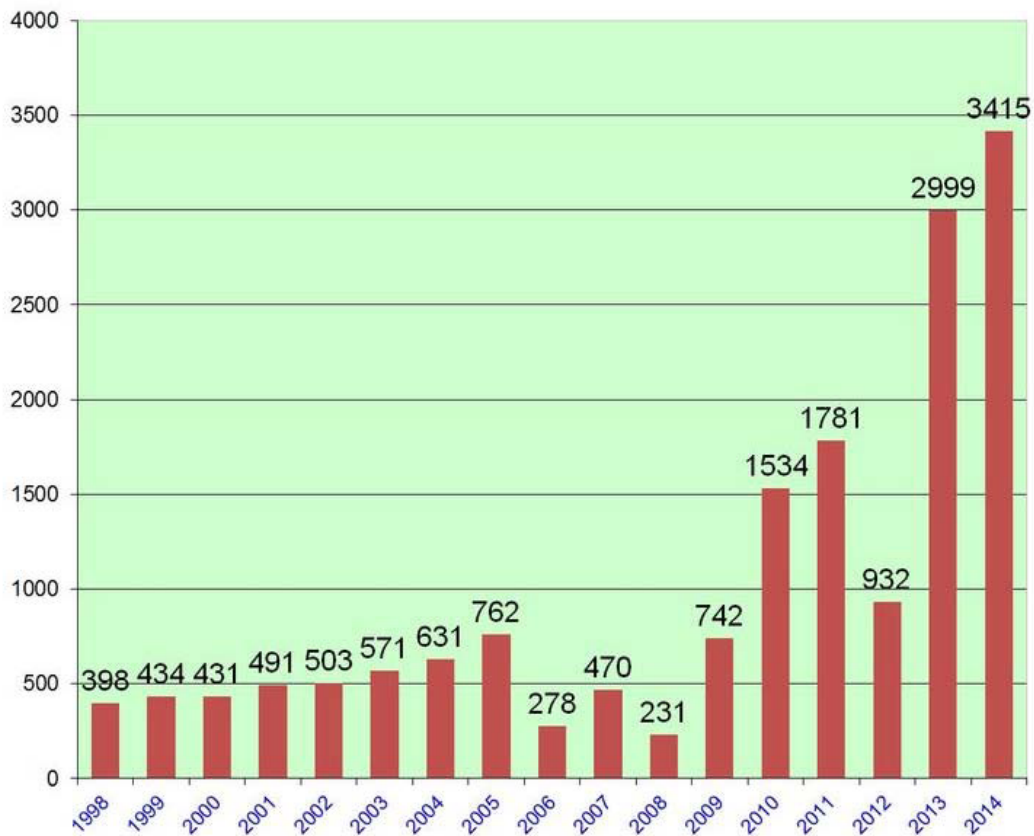
Thousands Renounce U.S. Citizenship Hitting New Record, Not Just Over Taxes

In an unfortunate [record, more Americans gave up their U.S. citizenship in 2014](#) than ever before. The chart below shows a steep uptick, and although the numbers aren't big in absolute terms, the trend is marked. The [names of individuals](#) who renounced their U.S. citizenship or terminated their long-term U.S. residency comes out quarterly. The published name and shame list is invariably incomplete.

Still, it makes 2014 the highest year ever, with 3,415 total. In 2013, there were 2,999 published expatriates. That was a 221% increase. In that context, a 14% increase may not sound like much, but given the demand, the U.S. State Department [raised the fee](#) for renunciation from \$450 to \$2,350. That is more than [twenty times the average level](#) in other high-income countries. The State Department says it had to raise the fee given all the extra work they have to process people who are on their way out.

Speaking of workload, many Americans living abroad complain about the unforgiving U.S. tax system that requires worldwide tax reporting, as well as bank account and financial reporting and disclosure. The penalties for failing to comply are large, with big civil penalties and even criminal liability a possibility. Many expats complain that the IRS has never understood Americans living abroad and applies rules unfairly.

Number of Published Expatriates Per Year



Source: U.S. Treasury Department

Although what motivates a person to renounce can vary, there is little doubt that U.S. tax and disclosure laws propel much of the debate. That was never more true than today. With global tax reporting and FATCA, the list of the [individuals](#) who renounce keeps going up, and many claim that [many aren't counted](#). The Treasury Department is required to publish a [quarterly list](#), but these numbers are under-stated.

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, even oppressive. For U.S. persons living in foreign countries, they must report and pay tax where they live.

But they must also file taxes in the U.S. based on their worldwide income. Claiming foreign tax credits 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 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 the systematic turning over of American names by foreign banks all over the world. Even Russia and China have signed on, as have 100 countries. Many foreign banks simply do not want American account holders, period.

Some Americans must even pay an exit tax to leave the U.S. Notably, the presence or absence of tax motivation is not relevant, but that could change. After Facebook co-founder [Eduardo Saverin](#) departed for Singapore, 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. Under existing law, 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 \$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.

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. Some groups are especially vocal about their tax plight. Dual citizens in Canada who are trying to shed their U.S. citizenship have [created a backlog](#) at the U.S. consulate in Toronto.

A decision to expatriate should not be taken lightly. Taxes or not, it can be a big step. Around the world, many people are talking about renunciation. It is not all just talk, as the trends clearly reveal. America is still a nation of immigrants, but increasing numbers of people are going the other direction.

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