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As People Look To Leave The U.S., Trump Ironically May Cut Their Taxes



With the re-election of Donald J. Trump as president, some Americans have expressed interest in moving abroad. Google Search data shows a spike in key phrases like “move to Canada,” “how to immigrate,” and “expat” since Election

Day. In a repeat of 2016, this includes some celebrities such as [America Ferrera](#), who says she will decamp to the U.K. with her family after being [sick Trump won](#). She joins other [celebrities who have recently moved to the U.K.](#) [Newsweek](#) has published a [full list of celebrities moving abroad after Trump's win](#).

Back in 2016, one [poll said that more than 1 in 4 Americans would consider leaving if Trump was elected](#). Of course, most people who bristle about politics are not serious, and even those who move often do so temporarily. Unless you give up U.S. citizenship, you still must file your IRS tax return every year and report your *worldwide income*, even if you earn all your money abroad. 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.

Ironically, Trump may make it easier for people to vote with their feet. Among his tax promises, [Trump vowed to end double tax for millions of expats](#). "I support ending the double taxation of overseas Americans," [Trump pledged in a statement from his campaign](#). U.S. citizens abroad face an array of tax compliance dilemmas for themselves and their families, and they have been complaining for decades that it is unfair.

Apart from reporting worldwide income to the IRS even if they pay local taxes abroad they must report all non-U.S. bank accounts on FBARs (now FinCEN Form 114) and file IRS Form 8938 to list their non-US assets. These obligations are onerous, and many U.S. citizens living abroad are not fully compliant and have a hard time keeping up. It has caused some expats to lose their banking relationships, home loans, and more.

Trump offered no specific details yet on how he would go about fixing this important issue, but it brought cheers from [American Citizens Abroad](#), a nonprofit, nonpartisan association. ACA has advocated for the adoption of residence-based taxation to address this issue for over 20 years. Previous bipartisan support and policy proposals over the years failed to gain traction sufficient to be passed. Claiming a foreign tax credit generally does not eliminate double taxes.

Thousands of Americans abroad have given up their U.S citizenship. The number of Americans renouncing grew so great that [several years set records for the number of Americans who renounced their citizenship](#). There is a published list every quarter, but there is reason to believe that the published list is incomplete, with [many not counted](#). U.S. consular offices were jammed, and getting appointments was very difficult.

It isn't only taxes either. With enhanced information exchanges brought by FATCA, some foreign banks are sufficiently worried about keeping the IRS happy that many do not want American account holders. What's more, the annual foreign bank account reports called [FBARs](#) carry big civil and criminal penalties. Enforcement fears are palpable, and even civil penalties can quickly consume the balance of an account.

For those who want to renounce American citizenship for good, even that has tax hurdles. To exit, you generally must prove five 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 five previous years of \$201,000 or more, there is an IRS [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 faces the same rules. Sometimes, planning and valuations can reduce or eliminate the tax, but it is nothing to ignore.

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