

Tax hassle leads to increased renunciation of US citizenship

by [Lucy Martin](#) on August 24th, 2014

I've written before about how recent [changes in U.S. tax laws are causing misery for Americans who live and work abroad](#).

The problem is largely invisible within the U.S., but continues to make waves in the ex-pat community.

Consider this from [Forbes contributor Robert W. Wood \(8/19\)](#):

Never heard of FATCA? You will. [FATCA](#)—the Foreign Account Tax Compliance Act—is America's global tax law. It was quietly enacted in 2010, and after a four-year ramp up, it's finally in effect. What is most amazing is not its impact on Americans—although that is considerable—but its impact on the world. Yes, the whole world.

Never before has an American tax law attempted such an astounding reach.

Wood's full article explains why the scope of FATCA is so audacious. This lengthy article from the Wall Street Journal gives [examples of "minnows" caught up in nets designed to catch big tax cheats](#).

Global News says this is creating a crush of [applications to renounce U.S. citizenship](#):

Dundas-based tax and immigration lawyer David Lesperance [said](#) on Twitter yesterday that he booked 2014's last renunciation appointment at the Toronto consulate for a client on Tuesday.

In an e-mail Tuesday, the Toronto consulate said the earliest date they could book for a renunciation is January 22, 2015.

Until recently, appointments to renounce U.S. citizenship in Toronto could be made within three to six weeks, said Toronto-based cross-border tax accountant Kevyn Nightingale, who specializes in tax advice for people giving up U.S. citizenship.



Record numbers are opting out of U.S. citizenship because of strict new filing requirements for those living abroad.

In my February post on this topic a number of readers asked why the fuss? After all, the vast majority will owe no additional tax. But the requirements, the reporting hoops and the penalties for non-compliance are the stuff of nightmares. Which means simple compliance is very burdensome.

Nightingale says he charges \$1,000-\$1,500 for “very simple” U.S. returns.

“Filing U.S. tax returns is complex, and the reason is that everything that happens to a U.S. citizen in Canada is foreign. People who are able to do their Canadian tax returns easily and relatively cheaply, once you add the foreign layer on to it, ordinary people have problems that need to be dealt with sophisticated tax people.”

“This is a giant, expensive hassle” is one complaint. Then there is a corollary issue of so-called accidental Americans, most of whom are dual-nationals with no ties to life in the U.S. who are also bound by the new obligations.

There is a [legal challenge right now](#) regarding Canada’s effort to comply without compromising Canadian privacy concerns. The [Financial Post quotes](#) Roy Berg, director, U.S. tax law at Calgary’s Moodys Gartner Tax Law as saying that cure is worse than the disease:

“The plaintiffs seem to think that victory means reversion to a pre-FATCA world,” Mr. Berg says. “Unless the U.S. Congress or the U.S. courts repeal or invalidate the legislation, that’s not what’s going to happen.”

This is where I wish I could point to something that appears to offer some remedy to the mess. Sorry! Haven’t found that yet.

Observers doubt FATCA will be repealed. Which is why the line up to dump U.S. Citizenship is long and getting longer.