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Long List Of Americans Who Renounced Citizenship Is More About Taxes Than Trump

As the dust settles on a long new list of Americans who renounced their citizenship, one organization's refrain is to [renounce US citizenship not because of Trump, but because of American taxes](#). The latest quarterly list published in the Federal Register [names the individuals](#) who renounced their U.S. citizenship, or who terminated their long-term U.S. residency (green cards), during the second quarter of 2017. The total for the first quarter of 2017 was 1,313. The number on the second quarter's list went up to 1,759, which is the [second highest quarterly number ever](#) (second only to the fourth quarter of 2016 which had 2,365 published expatriates). Some observers may want to blame President Trump for the spike, but it is much more likely that longstanding tax issues are the real culprits.



The total for calendar 2016 was 5,411, which was up 26% from 2015, when the total was [4,279 published expatriates](#). The 2015 total was 58% more than 2014. These lists of those who [expatriated](#) may not seem too big, but just how complete these lists actually are remains unclear. Despite the official list, [many leavers are](#)

[not counted](#). Curiously, though, both the [IRS and FBI track Americans who renounce](#). The reasons for renouncing can be family, tax and legal complications. There is no single explanation, although some renouncers write [why they gave up their U.S. citizenship](#).

One recurrent theme motivating some is [FATCA](#), the Foreign Account Tax Compliance Act. It was enacted in 2010, and took years to implement. It is having an impact bigger than these expat numbers reveal. Some renounce because of global tax reporting and FATCA. Dual citizenship is not always possible, as this [infographic](#) shows. [FATCA](#) has been painstakingly implemented worldwide by President Obama's Treasury Department. It now spans the globe with an unparalleled network of reporting. America requires foreign banks and governments to hand over secret bank data about depositors. Non-U.S. banks and financial institutions around the world must reveal American account details or risk big penalties.

America's global income tax compliance and disclosure laws can be a burden, especially for U.S. persons living abroad. Their American status can make them untouchable by many banks abroad. Foreign banks are sufficiently worried about the IRS that many simply do not want American account holders. FATCA has been [ramped up worldwide](#), and [requiring](#) an annual [Form 8938](#) filing if your foreign assets meet a threshold.

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. Many claim a foreign tax credit, but it generally does not eliminate double taxes. Moreover, enforcement fears are palpable for the annual foreign bank account reports called [FBARs](#). They carry big civil and even potential criminal penalties. The civil penalties alone can consume the entire balance of an account.

Ironically, though, leaving America can be costly. America charges \$2,350 to hand in your passport, a fee that is more than [twenty times the average](#) of other high-income countries. The U.S. [hiked the fee to renounce by 422%](#), as previously there was a \$450 fee to *renounce*, and no fee to *relinquish*. Now, there is a \$2,350 fee either way. The State Department said [raising the fee](#) was about demand and paperwork, but the number of American expatriations still increased after the fee hike.

Moreover, to exit, one generally must prove 5 years of IRS tax compliance. And getting into IRS compliance can be expensive and worrisome. For some, a *reason* to get into compliance is to renounce! The exit itself can be expensive too. If you have a net worth greater than \$2 million, or have average annual net income tax for the 5 previous years of \$162,000 or more, you can pay an [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 can be required to pay the exit tax

too. Sometimes, planning and valuations can reduce or eliminate the tax, but the tax worry can be real, even for those who will not face it.

For alerts to future tax articles, email me at Wood@WoodLLP.com. This discussion is not legal advice.