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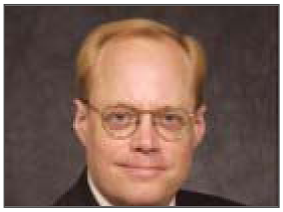

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'Man Of Steel' Wins Big, But So Does IRS

Henry Cavill plays Superman in the Man of Steel movie reboot. And the movie seems off to a roaring start. See Friday Box Office: 'Man of Steel' Grosses Super $56 Million*. As Scott Mendelson noted there, "Man of Steel now has the second-biggest opening day for a non-sequel, behind the $67 million Friday of The Hunger Games last year. It's a bigger opening day than Iron Man ($38 million), Spider-Man ($39 million)...."

Man of Steel Henry Cavill

However tepid the reviews, money talks and tickets are selling. That should make the IRS happy. State and local governments, too. And while taxes don't figure in the plot of the newest take on the familiar story, they ***could***.

After all, no superhuman ability is powerful enough to beat the tax man. One prior Superman proved no match for the IRS. Dean Cain played the Man of Steel in The New Adventures of Superman during the 1990s opposite Teri Hatcher as Lois Lane. Perhaps his tax returns got confused doubling as Clark Kent and Superman from 1993-1997.

As reported by TMZ, Cain's taxes caught up with him when he was hit with IRS tax liens for unpaid taxes totaling $193,719 for 2011 and 2012. Ironically, that was around the 75th anniversary of Superman's comic-book birth. It was also when it became clear Superman might move to another country.

Superman could fly away easier than most of us. Yet the idea he might give up American citizenship was shocking. The Los Angeles Times reported the backstory as a flap with the Secret Service. Many leave over U.S. taxes, FBARs and related worries. Taxpayers with foreign accounts aggregating $10,000 at any time during 2012 must file Form TDF 90-22.1, also known as an FBAR by June 30, 2013. And no one is exempt from these rules, not even Superman.

But leaving isn't just taking off your cape or jumping on a plane. The law keeps changing, most recently in 2008. Back in 1966, Congress starting taxing expatriations, taxing U.S.-source income for ***ten years*** following a tax-motivated expatriation. In 1996, Congress added a ***presumption*** of tax avoidance if an expatriate's five-year average net income tax exceeded $100,000, or the expatriate's net worth was $500,000 or more.

In 2004, Congress threw out tax avoidance motive (too easy to manipulate) and imposed ten years of U.S. tax on U.S.-source income if you left for ***any*** reason. In 2008 the law changed again. Now, U.S. citizens and long-term residents who expatriate are treated as selling their worldwide property at fair market value. It is taxed as capital gain but still, the exit tax is unforgiving.

Only the first $668,000 of gain is tax free. See Rich Americans Voting With Their Feet To Escape Obama Tax Oppression. Appraisals of property are a good idea, and there is paperwork. You must file IRS Form 8854 (in some cases for ten years). Additional special forms may be required if you have any deferred compensation, some tax deferred accounts, certain non-grantor trusts, etc.

With all the anti-IRS animus these days, I'll bet many would like to see Superman take on the IRS or at least show he doesn't have to comply. Superman presumably has no foreign accounts on Krypton, since it was destroyed. But whatever he has and wherever it is, he better fly right.

You can reach me at Wood@WoodLLP.com. *This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.*