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### More Americans Give Up Citizenship In Reverse Trump Bump

Every three months, the U.S. Treasury Department publicly [names individuals](#) who renounced their U.S. citizenship. And once again, the cadre of [Americans renouncing citizenship has hit an all-time high](#). The tally for 2016 was up 26% from 2015. The newest list is just for the last 3 months of 2016. It names a whopping 2,365 individuals, making a total of 5,411 for calendar year 2016. Some observers note a Trump Bump, that the last quarter of 2016's tally of 2,365 was *much* higher than prior quarters. In any case, it's a new annual record, up from [4,279 published expatriates](#) in 2015. And 2015 had a 58% hike over 2014.

Of course, even these spiking expatriation numbers may seem small compared to the influx of immigrants. However, giving up citizenship is a solemn step. Expatriating is rarely about politics, unless you call worldwide tax reporting and [FATCA](#) politics. The Foreign Account Tax Compliance Act was enacted in 2010, and took years to implement. And it is having an impact, perhaps bigger than these expat numbers reveal. But should one worry about this still relatively small number of leavers?



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Keep in mind that the published list is incomplete, with [many leavers not counted](#). Surprisingly, no one seems to know exactly how big the real number is, even though both the [IRS and FBI track Americans who renounce](#). Expatriations have historically been much lower than these figures. There is no single explanation for the increase, although

some renouncers write [why they gave up their U.S. citizenship](#). The reasons for renouncing can be family, tax and legal complications.

Plainly, though, some renounce because of global tax reporting and FATCA. Dual citizenship isn't always possible, as this [infographic](#) from MoveHub shows. America charges \$2,350 to hand in your passport, a fee that is more than [twenty times the average](#) of other high-income countries. [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. Like pariahs, they may be shunned because of their American status by banks abroad. Foreign banks are sufficiently worried about keeping the IRS happy that many do not want American account holders. 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, the annual foreign bank account reports called [FBARs](#) carry big civil and criminal penalties. Even civil penalties can quickly consume the balance of an account, so enforcement fears are palpable. FATCA has [ramped up worldwide](#) and [requires](#) an annual [Form 8938](#) filing if foreign assets meet a threshold. Still, leaving America can be costly. To exit, you generally must prove 5 years of IRS tax compliance. And getting into IRS compliance can be expensive and worrisome. A good recent example is Britain's Foreign Minister [Boris Johnson](#). It makes it all the more frustrating if the *reason* you are getting into compliance is so you can renounce! Kafka might appreciate that, but many people do not.

The exit when you make it 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 taxed or not, many are headed for the exits.

Many Americans abroad feel squeezed, and the fact that the U.S. [hiked the fee to renounce by 422%](#) did not help. 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.

*For alerts to future tax articles, email me at [Wood@WoodLLP.com](mailto:Wood@WoodLLP.com). This discussion is not legal advice.*