



## Robert W. Wood

THE TAX LAWYER

TAXES | 8/12/2013

# Thousands Leave U.S. Over Taxes---5 Rules If You're Tempted

It's no secret that Americans are obsessed with taxes and unhappy with the IRS. Take the IRS crackdown on foreign accounts and income. See [FBAR Penalties Just Got Even Worse](#). Some people vote with their feet. For most, taxes are at least part—usually a big part—of the equation.

Only a few months ago it was clear that [U.S. Citizens are Ditching Passports in Record Numbers](#). But now the latest quarterly numbers show a marked uptick even over those figures. See [Number of Americans Renouncing Citizenship Surges](#). The list of who's gone is published quarterly in the [Federal Register](#).

You can even see if your neighbor is on the list. There are always some wealthy people, which should tell you something. Among the more notable—even notorious—expatriations in 2012 was [Facebook](#) co-founder [Eduardo Saverin](#).

Saverin's post-Facebook fly-away prompted such outrage that Senators [Chuck Schumer](#) and Bob Casey introduced a bill to double that tax to 30% for



anyone leaving the U.S. for tax reasons. See [Senators Go After Eduardo Saverin, Facebook Co-Founder, For Dumping U.S. Passport, Avoiding Taxes](#). People also took note of wealthy socialite [Denise Rich](#), whose husband Marc was pardoned by President Clinton. See [Why Denise Rich Followed Eduardo Saverin's Expat Lead](#). Then there was music icon [Tina Turner](#). See [Swiss Tina Turner Giving Up U.S. Passport](#).

In 2011 and 2012 it looked like the departed were falling. See [Forget Taxes And Saverin; Actually, Expatriations Are Falling](#). But 2013 is going the other direction in a big way. Where they go varies, but many countries are an easier sell in both tax rates and tax systems. America's controversial worldwide income tax—inflexible and unforgiving—seems to invite greener pastures. See [Expats Lobby For Tax on Residence, Not Worldwide Income](#).

Some other countries also provoke tax moves. Formerly French and now Russian actor [Gérard Depardieu](#) pays a 13% flat rate, even better than Eduardo Saverin's 18% in Singapore. France's bloated 75% makes Russia's 13% seem svelte. In Britain, the number of £1 million a year taxpayers fell by over 60%.

Still, leaving America has a special tax cost. You generally must prove 5 years of tax compliance in the U.S. Plus, if you have a net worth greater than \$2 million or have average annual net income tax for the 5 previous years of \$155,000 or more (that's tax, not income), you pay an [exit tax](#).

You generally pay 15% on any gain, as if you sold your property when you left. There's an exemption of approximately \$668,000. Citizens aren't the only ones to suffer. Giving up a [Green Card](#) can cost you too. See [High Cost To Go Green: Giving Up A Green Card](#).

Consider at least these five points:

1. **There are distinct immigration rules and tax rules.** Seek advice from an immigration lawyer and a tax adviser. You need both sets of rules.
2. **Tax Motivation is Irrelevant.** One big relief is that you no longer have to come up with other reasons you're leaving. It's OK to leave for tax reasons.
3. **Consider tax filings carefully.** Some people expatriate under the immigration rules and never file anything with the IRS. This is risky but can be appropriate in some cases. Consider the exit tax rules too.

4. **Plan before you go.** Often, you should make gifts or transfers before you expatriate. Get some advice. There is often legitimate spousal or family tax planning to consider before you act.

5. **Expatriating means really leaving.** But that doesn't mean you can't return to visit, perhaps even more. Get advice from an immigration lawyer.

*You can reach me at [Wood@WoodLLP.com](mailto: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.*