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Canadians Attack U.S. Expat Rules, Decrying 'Accidental Americans'

The [Alliance for the Defense of Canadian Sovereignty](#) sounds a little like a new world militia or a trade group promoting maple syrup. Actually, it's neither, and American legislators may soon learn that too well. The organization has lawyered up, hiring a Washington D.C. lawyer tasked with exploring legal options to reverse the practices of the United States government. Why?

Because the U.S. government is making it downright difficult for Canadians that are also 'Accidental Americans' from freeing themselves of the burdens of U.S. citizenship. Accidental Americans include those born in the U.S. but who left at a young age to live permanently abroad. The organization claims they have no meaningful ties to the U.S. but are stuck with a lifetime of U.S. taxation on their non-U.S. income. Ouch!

Stephen Kish, Chair of the Alliance, intends to push for reform. The press release complains that the U.S. labels Accidental Americans who are not compliant with the IRS as tax cheats. That's an unfair label, say the Canadians, one that should be cleared up.



U.S. President Obama with Prime Minister of Canada Stephen Harper. (Photo credit: Wikipedia)

The group notes that many Americans just don't seem to understand the awkwardness of the issue. They are tired of homeland Americans saying, "Why don't these people who don't want to be U.S. citizens just renounce their citizenship?" The answer is that the U.S. requires a variety of fees to be released from U.S. citizenship. Costs can include big professional costs, five years of IRS compliance, and the possibility of an onerous U.S. exit tax.

Besides, the State Department just [raised the fee](#) for renunciations from \$450 to \$2,350. Heck, that's more than [twenty times the average level in other high-income countries](#). Even with costs and higher fees, demand at the exists is high. Dual citizens trying to shed their U.S. citizenship have [created a backlog](#) at the U.S. consulate in Toronto. Wait times stretch into 2015.

The Canadian movement dovetails with a legal [claim](#) filed by Canadian citizens against the Canadian Attorney General that challenges the constitutionality of Canadian government's [FATCA](#) deal with the United States. The Canadian plaintiffs were born in the U.S., but left as young children to live in Canada. They never obtained U.S. passports or developed meaningful ties with the U.S. Even so, the case says, they are considered 'tax cheats' because they are not 'IRS compliant.'

The plaintiffs hope to stop Canada from turning over bank account information from more than a million United States persons in Canada. The legal [claim](#) is that the agreement to implement FATCA violates provisions of the Canadian Charter of Rights and Freedoms. It guarantees the right to life, liberty, security of person; security against unreasonable search and seizure; equal protection of law without discrimination.

With global tax reporting and FATCA, the list of the [individuals](#) who renounced is up. For 2013, there was a 221% increase, with [record numbers of Americans renouncing](#). The Treasury Department is required to publish a [quarterly list](#), but these numbers are under-stated, some say considerably.

If this group of Canadians gets its way, maybe there will be an easier way in the future. On the other hand, perhaps the IRS computers will crash and the [IRS will lose all the emails](#) about this....

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.