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Fee To Renounce Citizenship To Drop, Reversing 422% Hike



The federal government doesn't often slash its fees, especially not something like an 80% cut, but that's what's happening with the fee to hand in your passport for good. It isn't yet a done deal, but as a result of a lawsuit about the unfairness of the fees, it looks like the current \$2,350 fee may be slashed to \$450. The current \$2,350 fee has long been a bone of contention, a fee that is more than [twenty times the average](#) of other high-income countries. In recent

years, the U.S. [hiked the fee to renounce by 422%](#), but that could be reversed shortly. Before 2010, U.S. citizens did not have to pay a fee to renounce, but in 2010, the government imposed a \$450 renunciation fee. In 2015 the fee increased to \$2,350, supposedly because it was more paperwork.

The lawsuit that finally got the State Department to reevaluate the high fees was filed by L'Association des Américains Accidentels, a group of accidental Americans. The case is L'Association des Américains Accidentels v. U.S. Department of State, No. 20-cv- 03573, U.S. District Court for the District of Columbia. Of course, exiting is not just about paying a fee and handing in your passport. You must separately file with the IRS and prove 5 years of IRS tax compliance. Getting into IRS compliance can be expensive and worrisome.

Every three months, the Treasury Department publishes the [names of Americans who renounce](#) or give up their long-term green cards. Common reasons for renouncing can be family, tax and legal complications for people who generally live outside the United States. The official list is published quarterly, but the actual number of [expatriates](#) is often assumed to be higher, with [many apparently not counted](#). Both the [IRS and FBI track Americans who renounce](#).

Some renouncers write [why they gave up their U.S. citizenship](#), but tax considerations are often part of the equation. Expats have long clamored for tax relief, and a major culprit is [FATCA](#), the Foreign Account Tax Compliance Act. This U.S. tax law was passed in 2010 and [requires](#) an annual [Form 8938](#) filed with the IRS if your foreign assets meet a threshold. [FATCA](#) spans the globe with an unparalleled network of reporting, requiring foreign banks and governments to hand over bank data about depositors.

Non-U.S. banks and financial institutions around the world must reveal American account details or risk big penalties. Some renounce because of global tax reporting and FATCA. America's global income tax compliance and disclosure laws can be a burden, especially for U.S. persons living abroad. Americans living and working abroad 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. A foreign tax credit often does not eliminate double taxes. Then there are annual foreign bank account reports called [FBARs](#). They carry big civil and even potential criminal penalties. The civil penalties can consume the entire balance of an account.

Leaving America can be costly. To exit, you must prove 5 years of IRS tax compliance, and getting into IRS compliance can be expensive and worrisome. If you have a net worth greater than \$2 million, or have average annual net income tax for the 5 previous years of \$190,000 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, gifts, separate tax returns for married persons, and valuations can reduce or eliminate the tax. However, plan carefully, and run the numbers, as tax worries can be real, even for those who can sidestep the tax.

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