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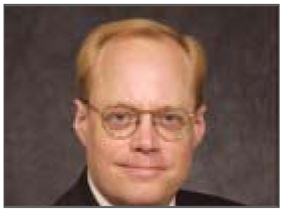

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Forget Taxes And Saverin; Actually, Expatriations Are Falling

In recent years, the IRS crackdown on foreign accounts and income has been unprecedented. (See FBAR Penalties Just Got Even Worse.) Most could never have predicted that Swiss and other offshore banking communities would literally be brought to their knees by the IRS.

Eduardo Saverin, co-founder of Facebook and prominent expatriate. (Image credit: via @daylife)

Comparisons to taxes bringing down Al Capone aren't entirely inapt. Relentless IRS enforcement efforts as well as the tough prosecutions of those who don't fly right on their U.S. taxes and FBARs have caused some people to exit the U.S. for good. (See Tax Expatriates: We'll Always Have Paris.) Plus, many seem to be talking about leaving the country even if they don't take steps to actually follow through.

Remember Facebook founder Eduardo Saverin? He didn't go back to his native Brazil but to Singapore where taxes are low low low. (See Why Facebook's Co-Founder Just Defriended America.) More recently, Denise Rich, former wife to once fugitive trader Marc Rich—pardoned by President Bill Clinton—also flew the coop. See Why Denise Rich Followed Eduardo Saverin's Expat Lead. Saverin's post-Facebook fly-away prompted such outrage that Senators Chuck Schumer and Bob Casey introduced a bill to sock it to ***anyone*** who leaves the U.S. for tax avoidance reasons. (See Senators Go After Eduardo Saverin, Facebook Co-Founder, For Dumping U.S. Passport, Avoiding Taxes.)

Mind you, there's ***already*** an exit tax for anyone leaving the U.S. with more than $2 million in assets. In fact, that exit tax doesn't depend on why you are leaving. You might be leaving for family reasons, health, politics, you name it. How's it work? You generally have to prove five years of tax compliance in the U.S. If you've never filed in the U.S. that's tough! Plus, if you have a net worth greater than $2 million or have average annual income for the five previous years of $151,000 or more, you pay an exit tax. You generally pay 15% on any gain, sort of like if you sold your property when you left the U.S. There's an exemption of approximately $650,000.

But Senators Schumer and Casey's bill would actually ***double*** that tax to 30%. Passage seems unlikely, but it makes you wonder if there's truly a "flood" of expatriations. It turns out there isn't. In fact, a Treasury Department list shows that expatriations surged to nearly 1,800 in 2011, a six-fold increase from 2008. What's the explanation for a good part of that increase? You guessed it: the IRS push to close in on foreign accounts. Expatriations trickled to only 189 for the second quarter of 2012, down from 520 for the second quarter of 2011. (See Renunciations by U.S. Citizens Fall.) The annual figure for 2012 may turn out to be a mere fraction of the 2011 total.

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