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THE TAX LAWYER

TAXES 11/11/2016

More Americans Are Renouncing Citizenship, But Not Over President Trump

Every three months, the U.S. Treasury Department publicly [names individuals](#) who renounced their U.S. citizenship. Giving up citizenship is a solemn step. Even so, the number of published expatriates for the third quarter of 2016 [was the second highest in history](#) at 1,380. The first quarter of 2016 tallied 1,158 expatriations, while the second quarter had 508 published expatriations. In 2015, there were approximately [4,300 expatriations](#). Even higher expatriation numbers seem small compared to the influx of immigrants.

Yet to put this into historical perspective, there are now 18 times as many renouncers as in 2008, with [Americans renouncing citizenship up 560% from their Bush administration high](#). This isn't about politics, unless you call [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.



This is a published list that 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. The U.S. government has collected over \$12.6 million in fees since the fall of 2014, after [hiking its fee to renounce citizenship by 422%](#).

[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. 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 \$160,000 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.

Most who bristle about leaving over the Presidential election are not serious. Even those who are, probably have in mind a temporary move, not a final exit. For those who do truly leave, whatever the reason, the details really matter.

For alerts to future tax articles, email me at Wood@WoodLLP.com. This discussion is not legal advice.