



Robert W. Wood

THE TAX LAWYER

TAXES 4/12/2016

Panama Dogs Cameron, Brexit Looms, & Citizen Boris Seems More Presidential Than Ted Cruz

As [David Cameron clashes over tax havens](#) in the House of Commons, America's election looks, well, civilized. Yet as [Ted Cruz's 'birther' lawsuit heads to the Supreme Court](#), it is curious to look to England for *another* birther issue. Of course, Mr. Cruz will win or lose on votes, not on whether he is a "natural born citizen" as required by the Constitution. Indeed, the request to the Scalia-short High Court to vet Sen. Cruz' birth *bona fides* is Hail Mary in tone. Surely the Court will not consider Sen. Cruz's provenance. Curiously, though, London's Mayor Boris Johnson—Alexander Boris de Pfeffel Johnson to be more precise—might conceivably have an easier time running for U.S. President.

He was born in New York, and although he has often threatened to give up his tax-disadvantaged American status, he evidently keeps it stashed away. Perhaps it will come in handy after he hacks away at the chains shackling Britain to the EU. Much to Panama besotted Mr. Cameron's dismay, Mayor Boris supports the British exit—[Brexit](#). And although Boris has doubtless made his EU choice clear, he has probably railed more clearly and frequently against his own U.S. tax shackles.



London Mayor Boris Johnson, left, and British Prime Minister David Cameron in 2012. (Will Oliver/AFP/Getty Images)

There's a useful reminder about taxes in his disclosure of the copious UK taxes he pays. A summary of his tax returns [published on his Mayoral Register of Interests](#) showed his £143,911 annual Mayor's salary, plus £270,000 to £491,000 of additional income over four years. His tax bill over four years was £916,481. We do not know how much U.S. tax he pays now, but we do know he paid in the past, quite vocally. His IRS run-in was over gains on his London home sale, something taxable in the U.S. but not in the UK.

That meant he couldn't claim a foreign tax credit for UK taxes against U.S. ones, and that meant the IRS wanted its money. Yet after paying the IRS in evident disgust (what American cannot identify with that?), he has evidently kept his U.S. passport. In contrast, Sen. Cruz was born in Canada, but easily [renounced his newly discovered Canadian citizenship](#).

Giving up one's U.S. status is usually more involved. Mayor Boris Johnson was born in the U.S., but left for Britain at age 5. Still, the IRS wanted its pound of flesh from Mayor Johnson's global income...*forever*. For a time, the tousled blond mayor refused to pay. He toyed with renouncing his American passport years ago, but [the BBC confirmed](#) he never gave it up, despite threats in [the Spectator](#).

His tax protests peaked in a 2014 [interview with NPR](#). Despite his threats that

he would not pay the IRS, he did, only *then* announcing his intention to renounce. That was the only way to do it safely and get the IRS off the hunt. But it does not appear that he followed through with his threats to renounce, and is routinely still listed as a dual. The timing of [Britain's contemplated exit, nicely fits the Boris Johnson entrance](#).

Perhaps Mayor Johnson does not know what a high profile spokes-model he could be for FATCA-sick Americans abroad. America's controversial worldwide income tax is inflexible and unforgiving. Americans abroad face a hostile tax regime and the increasingly compromised status of being Americans. Many foreign banks and other financial institutions do not want American depositors, leaving Americans overseas feeling disenfranchised.

Accidental American status—not unlike Senator Ted Cruz's Canadian status—can provoke renunciation. Sen. Cruz apparently only discovered he was also Canadian in 2013. In any case, the [number of Americans renouncing U.S. citizenship has spiked, up 560% from its Bush administration high](#). In 2015, there were approximately [4,300 expatriations](#) according to the published [names of individuals](#) who renounced.

Recently, the [IRS was given the power to revoke passports for tax debts](#). And FATCA has [ramped up worldwide](#). It [requires](#) an annual [Form 8938](#) if foreign assets meet a threshold. Foreign banks are sufficiently worried about keeping the IRS happy that many simply do not want American account holders. Still, leaving America can be costly. To exit, you generally must prove 5 years of IRS tax compliance. Plus, 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 as if you sold your property when you left. Long-term residents giving up a [Green Card](#) can also be required to pay the exit tax. But taxed or not, many head for the exits. Last year, dual citizens in Canada trying to shed their U.S. citizenship [created a backlog](#) at the U.S. consulate in Toronto. President [Obama has joked about his birth certificate, but accidental American status is no joke](#). Many end up in untenable financial situations.

The [U.S. has been criticized for hiking its fee to renounce by 422%](#) to \$2,350. The U.S. State Department said [raising the fee](#) was about demand and paperwork, but American expatriations still grew even after the increase. No one wants to get on the wrong side of the IRS. Apparently, not even the feisty London Mayor.

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