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## TAXES

# Renouncing Your Citizenship to Stick It to the Tax Man? Not as Easy as it Looks

By David Futrelle | June 22, 2012 | 1 Comment

To hear some tell it, we've got the beginning of an Ayn-Randian capitalist strike on our hands – at least amongst American expatriates fed up with writing checks to the IRS despite living abroad. Indeed, as tax attorney Jim Duggan [notes](#), the number of expats who've renounced their American citizenship this year outnumber those in the the past three years combined, an apparent response to the IRS's more aggressive attempts to make American expatriates pay the taxes Uncle Sam insists they pay.

The most famous recent renouncer is, of course, Facebook co-founder Eduardo Saverin, who [gave up his citizenship](#) before the Facebook IPO in what many saw as a ploy to avoid paying taxes on his IPO bonanza. (This is a ploy which may well [backfire on him](#), given the poor performance of Fabeook's shares since the ill-starred IPO.) Other (relatively) recent renouncers include film director and Monty Python alum Terry Gilliam and actor Jet Li.

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So do we have a real exodus on our hands? Hardly. While Saverin's story grabbed headlines, the actual number of renouncers, while indeed increasing, is still tiny. As Greenback Expat Tax Services note in [a recent statement](#), renouncers made up

1,780 total in 2011 out of the estimated 3 to 6 million US citizens who live abroad – in other words, the percentage of American expats who renounced their citizenship increased from 0.008% to 0.059% between 2008 and 2011.



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Saverin's case did help to illuminate the complicated financial relationship American expats have with the US government. Despite living abroad, expats are [still required to pay income taxes](#) as well as taxes on their capital gains – though there are deductions available to expats (most notably something called the Foreign Earned Income Exclusion) that can reduce the amount of this tax to zero. The US is

[the only country, aside from Eritrea](#), that imposes such taxes on its citizens abroad.

But as Saverin learned, it's not easy for expats to disentangle themselves from the IRS. Renouncing your American citizenship isn't simply a matter of burning your passport. Uncle Sam makes the process both difficult – and pricey. When you give up your citizenship, you're required to pay an “[exit tax](#)” based on what you would owe the government if you liquidated all your investments today.

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And it may get even more pricey in the future. Offended by Saverin's “unpatriotic” actions, Democratic senators Chuck Schumer and Bob Casey [introduced a bill](#) called the Expatriation Prevention by Abolishing Tax-Related Incentives for Offshore Tenancy Act — more commonly known as the “Ex-PATRIOT Act.” The bill would double the “exit tax” from 15% to 30%, and prevent those who renounce their citizenship from ever returning to the U.S.

Ironically, as American liberals fulminate over “ex-Patriots” and some conservatives [toast Saverin as a hero of sorts](#), wealthy foreign investors are clamoring to get in to the U.S. in record numbers. The State Department is on track to issue a record 6,000 “investor visas” this year, [CNN reports](#). If there's a capitalist strike going on, no one told *them* about it.

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