

Here's one reason why Americans abroad want to give up their citizenship

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- More than one in five expatriates polled by Greenback Expat Tax Services say they are "seriously considering renouncing their U.S. citizenship."
- In all, 1,018 people gave up their U.S. citizenship in the first quarter of 2019.
- Nearly four in 10 who said they would renounce say it's because of the tax burden they face, Greenback found.

You can head for the farthest reaches of the Earth, but you'll never escape the U.S. tax man.

More than 20% of the Americans abroad polled by Greenback Expat Tax Services said they are "seriously considering" giving up their U.S. citizenship.

The firm polled more than 3,100 U.S. expats from March through May.

Among the participants who said they would give up their citizenship, close to four in 10 cited the tax burden they face as a reason. In all, 1,018 U.S. citizens renounced their citizenship between Jan. 1 and March 31, according to the Internal Revenue Service.

U.S. citizens and resident aliens abroad must file income, estate and gift tax returns, as well as paying U.S. income taxes on worldwide income.

Tax burdens prompt more Americans to ditch their citizenship

The Bottom Line

Americans holding certain foreign financial accounts also need to report them to the proper federal authorities. Civil penalties for willfully failing to do so can be steep: the greater of \$129,210 or 50% of the account balance.

"The reporting requirements can carry some life-changing penalties for people," said David McKeegan, co-founder of Greenback Expat Tax Services.

Indeed, 20% of those polled were unfamiliar with the Foreign Account Tax Compliance Act or FATCA — the law that requires them to tell federal authorities about their foreign accounts.

Elections

Did you hold an interest in or a signature authority over at least one foreign account and the aggregate value of your overseas accounts exceeded \$10,000 at any time during the year?

If so, you must file a report of Foreign Bank and Financial Accounts with the Treasury's Financial Crimes Enforcement Network.

The so-called FBAR is due on April 15, but you get an automatic extension to Oct. 15, if you miss the date.

If you flout the law, you could be subject to the financial civil penalty. Criminal penalties could also apply.

Form 8938 to the IRS. This is known as a statement of specified foreign assets.

Whether you're required to submit this form depends on where you reside and whether your foreign asset holdings meet a set threshold.

Single taxpayers living abroad must file Form 8938 if the total value of their foreign financial assets exceeds \$200,000 on the last day of the tax year (\$400,000 for spouses who file jointly) or if it exceeds \$300,000 at any time during the year (\$600,000 for spouses filing jointly).

Married taxpayers residing in a foreign country and filing jointly must submit the form if their foreign assets are valued at more than \$400,000 on the last day of the tax year or if they exceed \$600,000 at any time during the year.

Those thresholds are lower for Americans who live stateside and have foreign assets.

In that case, singles must report their foreign assets to the IRS if the value of those holdings exceeds \$50,000 on the last day of the tax year (\$100,000 for joint filers) or if they go over \$75,000 at any time during that year (\$150,000 for spouses filing jointly).

Failure to report carries a penalty of \$10,000, and you could be on the hook for an additional \$50,000 penalty if you continue to miss your reporting requirements.

On Sept. 28, 2018, the IRS ended its offshore voluntary disclosure program for individuals who faced potential criminal liability and penalties for willful failure to report.

However, there are other ways to come clean to the taxman about your offshore bank account.

For instance, the IRS still offers its streamlined filing compliance procedure to taxpayers who weren't aware of their obligations. This way, account holders get themselves up to date with filing amended or delinquent returns and resolve their tax obligations.

Approximately 65,000 people have become compliant through this program, the IRS said.

Nevertheless, more than four out of 10 expats polled by Greenback Expat Tax Services said they didn't know about the streamlined filing procedures.

Citizens abroad still use the streamlined procedures, especially as banks seeking to comply with FATCA sift through their records for accounts held by Americans.

"The foreign bank won't ask you if you're tax-compliant, but they will want your Social Security number so they can report the information back to the IRS," said Katelynn Minott, a CPA with Bright!Tax.

"In those instances, people are saying 'I've lived abroad so many years, but there might be a possibility the IRS could come knocking,'" she said.