

# Fifth of US expats consider handing back their passports

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It will come as little surprise that US citizens living overseas remain deeply unhappy about the tax system in their home country.

The majority believe it is unfair and compounded by the fact that they do not have fair representation within the government, according to a survey by Greenback Expat Tax Services of over 3,100 US expats.

Nearly half (49%) said that the most important thing the US government can do to help them is overhaul citizenship-based taxation.

## Onerous requirements

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Americans living abroad are subject to the Foreign Account Tax Compliance Act (Fatca), which was passed in 2010.

It requires financial institutions around the world to report any assets held by US expats that are collectively worth more than \$50,000 (£39,932, €44,559) to the Internal Revenue Service (IRS).

The result has been that banks and other financial services providers have chosen not deal with Americans living overseas.

Additionally, US citizens are bound to file their federal tax returns in the US every year and report any foreign bank accounts, brokerage accounts and mutual funds.

Failure to do so will result in financial penalties of up to \$129,210 if they were left out willingly, or up to \$12,921 if the violation is found to be unintentional.

## Renouncing citizenship

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To avoid the headaches, some US expats are turning to extreme measures such as renouncing their American citizenship.

According to Greenback, 5% of those surveyed are currently in the process of renouncing; 21% are seriously considering it; and 41% would not rule it out in the future.

Among those who are waiving their citizenship, 39% said that the tax burden placed on expats was what prompted them to do it; while 17% are not happy with the direction the US government is taking.

It also stems from the fact that 89% believe they are not fairly represented, and their issues and interests are ignored by the government.

## Drastic changes?

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However, Greenback said that, in February 2019, the Democratic party introduced a bill called "*Tax Fairness for Americans Abroad Act of 2018*", which would end citizenship-based taxation.

The bill aims at amending the Internal Revenue Code.

The changes would add that "in the case of a qualified non-resident citizen, there shall be excluded from the gross income of such individual, and exempt from taxation under this subtitle, for any taxable year – (1) the foreign earned income of such individual, and (2) the foreign unearned income of such individual".

However, since the draft legislation was introduced before Congress, there have been no updates on its status.

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