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## Expatriation

### U.S. First-Quarter Expatriation of 1,300 Is 'New Normal'



By Laura Davison

More than 1,300 taxpayers gave up their U.S. citizenship in the first quarter of the year, a move some people living outside the country may have made in recent years to avoid tax compliance issues.

The number of people expatriating each year now numbers in the thousands, rather than in the hundreds, as was the case several years ago, said Andrew Mitchel, an international-tax attorney based in Connecticut. Having about 1,300 people renounce citizenship in a quarter is the "new normal," he said.

Some attribute the expatriation numbers to taxpayers wanting to avoid dealing with U.S. tax laws. "The biggest reason for people expatriating is the emphasis on cross-border enforcement," said Doug Andre, a partner at Ivins, Phillips & Barker, Chartered.

A record 2,376 people renounced their citizenship or ended their long-term U.S. residency in the fourth quarter of 2016, according to the Internal Revenue Service, which releases data quarterly. About 1,400 did so in the previous quarter.

The quarter-to-quarter fluctuations are arbitrary, so one shouldn't draw too much meaning out of any one quarter, Andre said. But if subsequent quarters have similar numbers, 2017 could be the year with most expatriations yet, he said.

The number of expatriates has risen since the 2010 Foreign Account Tax Compliance Act began requiring overseas banks to disclose information to the IRS about U.S. citizen-owned accounts. Penalties tied to failing to file tax forms have also sharply increased since the late 1990s.

#### Tax Reform Tie-In

Conservative lawmakers are pushing to repeal the law as part of a larger effort to overhaul the tax code this year. Rep. Mark Meadows (R-N.C.) and Sen. Rand Paul (R-Ky.) have introduced legislation (H.R. 2054, S. 869) that would eliminate the law and have asked the Treasury Department to stop enforcing it.

"Repealing FATCA may reduce the number of expatriates somewhat, but it's not going to reduce the penalties that much," Mitchel said. "It will just let account holders hide easier."

Other members of the Organization for Economic Cooperation and Development have since adopted reporting and disclosure requirements similar to FATCA, Andre said. This type of standard has been embraced by many foreign governments, he said.

"If U.S. were to step away from that, I wonder how effective that would be," Andre said.

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#### Snapshot

- Expatriation numbers in line with recent uptick
- Rise tied to increased penalties, compliance requirements

#### For More Information

The 2017 first quarter repatriation list is at <http://src.bna.com/of7>.

Contact us at <http://www.bna.com/contact-us> or call 1-800-372-1033

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