

# Bloomberg BNA Daily Tax Report®

Source: Daily Tax Report: News Archive > 2017 > February > 02/09/2017 > Federal Tax & Accounting > Expatriation: U.S. Compliance Burdens Abroad Continue to Drive Expatriation

26 DTR G-5

## Expatriation

### U.S. Compliance Burdens Abroad Continue to Drive Expatriation



By Allyson Versprille

Increasing compliance demands on U.S. citizens and residents living abroad are causing more people, including former London Mayor Boris Johnson, to expatriate, attorneys specializing in international tax law said.

A record 2,376 people renounced their citizenship or terminated their long-term U.S. residency in the fourth quarter of 2016 ending Dec. 31, according to the Internal Revenue Service's quarterly list of expatriates released Feb. 8. The list included Johnson, who was born in New York, which gave him dual citizenship. Johnson announced plans to renounce his U.S. citizenship in 2015 so that he would no longer have to pay U.S. taxes.

The number of people expatriating in the fourth quarter increased about 72 percent from the third-quarter figure of 1,379 expatriates. Attorneys told Bloomberg BNA that people shouldn't read too much into the uptick. "The IRS quarterly numbers seem to fluctuate significantly and they don't seem to have any pattern that I've been able to identify," said Andrew Mitchel, an international tax lawyer based in Connecticut.

Philip D. W. Hodgen, a international tax lawyer at HodgenLaw PC, said the increase was caused by administrative, procedural reasons because most people who want to expatriate plan to do so by year's end in order to avoid filing another U.S. tax return.

More telling are the annual expatriation numbers, attorneys said. From 2015 to 2016, the number of expatriates grew from about 4,280 to about 5,420. Those numbers are in stark contrast to the approximate 750 people who expatriated in 2009. The significant growth from 2009 is largely a response to the Foreign Account Tax Compliance Act enacted in 2010, and its enforcement of U.S. tax obligations on residents and citizens living abroad, attorneys said.

### Compliance Burden

"In general, the numbers have been going up a lot if you look at an eight-year period or a six-year period," said Douglas Andre, a partner at Ivins, Phillips & Barker Chartered, who advises clients in international tax matters. That trend is probably due to the realization by U.S. citizens living abroad that they have U.S. tax compliance obligations and liabilities, he said.

FATCA requires foreign financial Institutions to report the foreign assets held by their U.S. account holders or be subject to withholding. Because of this new reporting requirement, those entities have started sending compliance notices to their clients who are U.S. persons. "Many U.S. citizens outside of the U.S. have not been filing U.S. tax returns as they should be, and so now as a result of FATCA they are realizing that the IRS is going to find out that they have these foreign accounts," Mitchel said.

"As soon as they realize the IRS is probably going to find out about them, they then learn about the huge penalties that can apply because they didn't file the forms that they should have filed, and so then they get terrified and they decide they want out," he said.

Before expatriating, most individuals will "get caught up" on their U.S. tax obligations by entering the IRS's Offshore Voluntary Disclosure Program, Mitchel said.

### Green Card Holders

Hodgen said he would guess that the majority of the expatriation numbers are comprised of U.S. green card holders.

"I personally see a lot more activity in the green card holder category than we used to" compared to U.S. citizens, he said. "And the reason is because it's easier to get rid of this and go back to the home country, and also because you see a lot of people historically who just left the U.S. and never did the paperwork to wind up their green card."

### Snapshot

- In fourth quarter of 2016, record 2,376 people expatriated
- Likely a small part of annual increases driven by FATCA

Now those individuals are “waking up” and realizing there is a tax burden that comes with having a green card and living abroad, he said. “I think what you’re seeing is a giant pool of people who really should have cleaned up this stuff a long time ago and are just getting around to it, propelled in part by FATCA.”

Hodgen said it's unlikely that the election of Donald Trump as U.S. president is a driving force behind expatriation in the fourth quarter of 2016.

“Did Donald Trump do it?” he said. “I think the answer is no. I don't think there was a huge rush to the gates between November and December 31.”

To contact the reporter on this story: Allyson Versprille in Washington at [aversprille@bna.com](mailto:aversprille@bna.com)

To contact the editor responsible for this story: Meg Shreve at [mshreve@bna.com](mailto:mshreve@bna.com)

### **For More Information**

The fourth-quarter list of expatriates is at <http://src.bna.com/I4S>.

---

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

ISSN 1522-8800

Copyright © 2017, The Bureau of National Affairs, Inc.. Reproduction or redistribution, in whole or in part, and in any form, without express written permission, is prohibited except as permitted by the BNA Copyright Policy.