



Written by [Alex Newman](#) on December 9, 2013

Amid IRS Abuse, Record Number of Americans Give Up U.S. Citizenship

Facing an [increasingly out-of-control federal government](#) in Washington, D.C., record numbers of Americans are giving up their U.S. citizenship in an effort to escape onerous requirements enforced by the IRS — which apply no matter where in the world a citizen lives. Because the IRS requirements have already become so bad, a growing number of banks around the world are refusing to even accept American customers in an effort to avoid U.S. government bullying and mountains of regulations. Following a trend in recent times, with citizenship renunciations continuing to hit new records, some members of Congress are slowly starting to take notice.



According to official figures and experts [cited by](#) the *Wall Street Journal*, almost 2,400 people so far this year have either given up their U.S. citizenship or turned in their green cards. That means the numbers thus far are up by at least 33 percent over 2011, when 1,781 did so, more than twice as many as in preceding years. In 2012, meanwhile, almost 2,000 people reportedly decided to permanently sever Uncle Sam's grip, and experts say the real numbers are even higher. By comparison, just 742 renounced their citizenship in 2009.

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The exodus is widely expected to continue or even accelerate — especially among the wealthy and mobile — unless and until Congress takes action to rein in the IRS and reduce the draconian burdens imposed on Americans abroad. The U.S. government, of course, is almost unique in the world in that it demands that citizens pay U.S. taxes and file massive amounts of complex paperwork no matter where on the planet they reside and work. According to reports, the only other government in the world to seek tribute from citizens abroad is the one ruling Eritrea.

“The reality is that the U.S. tax system gives dual citizens a good reason to walk away from their U.S. citizenship or permanent-resident status,” former federal prosecutor Jeffrey Neiman was quoted as saying in a [recent CNBC report](#) about the growing trend. “It’s a painful process but easier than staying in compliance with the law.” Other experts echoed those sentiments, saying that, despite the costs, renunciation of U.S. citizenship is an increasingly appealing option — and probably easier than keeping track of the ever-changing American tax code.

The precise motivations for Americans ditching Uncle Sam undoubtedly vary widely from case to case and individual to individual. However, experts say the biggest reasons for the surge in numbers are changes in tax laws, expected higher and much higher taxes, and stepped up “enforcement” activities targeting the millions of Americans living abroad.



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“Nothing has changed in immigration law that would make people want to renounce,” immigration specialist Freddi Weintraub, a partner at New York-based law firm Fragomen Worldwide, [told](#) the *Wall Street Journal*. “Current or anticipated changes in tax law and enforcement are driving this increase.” Numerous other experts in the field quoted in media reports echoed those findings, suggesting that the IRS and the U.S. tax code were the primary drivers. Recent income and investment tax hikes certainly did not help.

Another key element in the story behind the accelerating flight is the Foreign Account Tax Compliance Act (FATCA), passed in 2010 and set to go into effect next year. Under the scheme, which has sparked an outcry among Americans living abroad — as well as with foreign banks that will now have to comply with IRS decrees — financial institutions all over the world are required to report information about U.S. citizens and green-card holders to the U.S. federal government.

Penalties for even minor or unintentional mistakes can be devastating, critics say — potentially serious enough to bankrupt even the very wealthy. “With the new regulations, it’s too ... easy to commit errors,” explained immigration and nationality chief Shaoul Aslan at Washington-based law firm Patton Boggs. “People are tired of that — and not as much the saving of taxes as people not wanting to commit an error.”

McClatchy news [highlighted](#) the plight of Oklahoma-born Ruth Anne Freeborn, who has lived in Canada with her Canadian husband and son for over three decades. Because of FATCA, her foreign bank was required to hand over all of her family’s financial information to the Obama administration, which her husband, of course, opposed. So, after carefully considering her options, Freeborn eventually decided to renounce her U.S. citizenship in September rather than subject her family to intrusive prying by the IRS and the federal government.

“My decision was either to protect my Canadian spouse and child from this overreach or I could relinquish my U.S. citizenship,” she told the news service, which reported that growing numbers of Americans were “ditching their U.S. passports out of frustration and fear” over FATCA. “It was with great sorrow I felt I had to relinquish, but there was no other choice for me and many like me.... My husband cannot understand why Americans are so offended by having their personal emails and phone calls monitored by the NSA yet are very comfortable requiring a Canadian to hand over their bank account data.”

The increasingly byzantine and oppressive regulations, along with more aggressive government efforts to enforce them, have also led a growing number of banks and financial institutions around the world to refuse to do business with anyone subject to Uncle Sam. As *The New American* has been reporting for years, Congress and the IRS have essentially [made U.S. citizens into pariahs around the world](#) in many respects. In some cases, the U.S. government has even gone so far as to [terrorize and threaten governments and nations](#) that refuse to bow to the will of Washington’s political class. Switzerland and the Swiss were among the [most recent victims](#).

For Americans living overseas, it is becoming increasingly nightmarish. “Many banks, foreign financial institutions, are just turning Americans away — it’s easier for them not to have American clients,” explained Marylouise Serrato, executive director of the group American Citizens Abroad, in comments about the effect of FATCA and IRS regulations. “For some people it [renunciation] becomes a solution. But it’s done with a very heavy heart.”

In recent years, the factors highlighted by experts have also driven more than a few wealthy Americans



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to renounce their citizenship and [move to more market-friendly countries, such as Singapore](#) and Switzerland. In response, U.S. lawmakers unveiled a scheme to extract their wealth, too. Last year, Democrats, including Sen. Charles Schumer (D-N.Y.), [were mocked and ridiculed](#) for proposing to tax people such as Facebook co-founder Eduardo Saverin, who [potentially saved tens of millions of dollars by giving up his citizenship in 2012](#), in perpetuity. Analysts said the proposal, which has not yet passed, was another sign of America moving toward “banana republic” status.

Already, people giving up their citizenship can be subject to an “exit tax,” but for D.C. politicians, more wealth must always be extracted. Responding to a tsunami of outrage among Americans living abroad, however, there are some timid efforts in Congress to begin addressing the growing problem. “FATCA is a textbook example of a bad law that doesn’t achieve its stated purpose but does manage to unleash a host of unanticipated destructive consequences,” explained Sen. Rand Paul (R-Ky.), who offered legislation to kill FATCA this year. “Tax evasion is a problem that should be addressed, but not in an egregious way.”

Even some Democrats and original FATCA cosponsors are apparently having second thoughts about the draconian effects of the bill on Americans abroad. So far, though, lawmakers seem far more interested in borrowing, spending, and taxing as much as possible than in helping to stem the growing trickle of U.S. citizens expatriating or easing the burden on Americans living and working in other countries. As FATCA goes into force next year, the disaster is set to get worse, which may eventually prompt Congress to act. In the meantime, though, millions of innocent Americans will continue to suffer.

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