

Executive Summary:

Survey of Citizenship Renunciation Intentions Among US Citizens Abroad

Contact: Dr. Amanda Klekowski von Koppenfels
ak248@kent.ac.uk; +32 486 25 77 34

The US State Department estimates that 6.8 million Americans live outside of the US. The Treasury Department recently released its official numbers on 2014 fourth quarter US citizenship renunciations. In 2013, annual renunciations rose to their highest level ever, at 2,999, and in 2014 rose still higher, to 3,514.

A new research survey of 1546 US citizens and former citizens living outside of the United States shows that 31% of the US citizens are seriously thinking about renouncing their US citizenship, and that 3% are currently in the process of doing so.

The survey ran from 5 December 2014 to 20 January 2015, surveying 1404 US citizens and 142 former citizens, living in 69 countries. The survey was an opt-in snowball survey, distributed initially via overseas American organizations. The survey included closed-ended and open-ended questions, allowing for both quantitative and qualitative analysis.

Initial key findings of the study are:

Quantitative Analysis:

- 1) 31% have actively thought about renouncing US citizenship and 3% are in the process of doing so; 32% have never thought about renouncing US citizenship. Another 33% have given only a passing thought to the idea, however, they have no immediate or even long-term plans to do so. Many hold strong feelings of American identity and express pride in being US citizens.
- 2) More than one-third (39%) of all respondents had lived in their current country of residence for 20 years or more. The primary reason (33%) for moving to that country was to be with a spouse or partner, followed by employment (26%). 21% left the US as children. Over half (54%) are aged 50 or older, and 58% are female. 88% have at least a four-year college education. 45% have annual pre-tax household incomes of under \$100,000 (USD) and an additional 18% between \$100,000 and under \$150,000.
- 3) Of those who have renounced or relinquished US citizenship, nearly half (43%) have annual pre-tax household incomes of under \$100,000 (USD). Of those who have renounced or relinquished, more than half (56%) have lived at least 20 years in the United States, and three-quarters (75%) more than 20 years in their current country of residence.
- 4) Renunciation intentions are not linked to income: 43% of former citizens have annual household incomes under \$100,000 (USD). Of US citizens with annual household incomes of more than \$250,000, 33% have actively thought of renouncing and 4% are in the process of doing so. This compares to 28% of those US citizens with incomes under \$100,000 (USD) having actively thought of doing so, and 3% currently in the process, and to 31% of all US citizen respondents who have actively thought of doing so and 3% who are in the process.

Qualitative Analysis:

- 5) US citizens who have renounced or relinquished their citizenship, or are thinking about doing so, mention several key factors. They note that financial reporting requirements are increasingly onerous and intrusive, and, second, that they are likely to remain overseas.
- 6) US citizens living overseas are affected by three sets of financial reporting requirements: first, they must file tax returns on global income – unlike nationals of any other OECD country living abroad; second, they must report all bank accounts with a combined total of \$10,000 (USD) or more, or the so-called FBAR (Report of Foreign Bank and Financial Accounts) and, third, they are affected by FATCA (Foreign Account Tax Compliance Act) requirements, a law which came into force 1 July 2014. All three factors play a role in individuals' thoughts on renunciation:
 - a. In open-ended responses, analysis shows that it is not payment of taxes which prompts renunciation, but rather primarily costs associated with complying with US filing requirements – particularly FBAR, which many respondents only learned about recently,¹ and the recent FATCA law. These can be as much as \$1000 to \$5000 per year – as one respondent, with a household income of between \$50,000 and under \$100,000, put it, “I can't pay an accountant 2000€ in order to pay the USA \$0.00 in the end.” This person, who renounced citizenship, would have had to pay nearly 10% of annual income in such costs: “To maintain tax compliancy with my pension account I was going to have to pay my accountant at least £1500 per year and I only earn £18 to £20,000 per year.” Maintaining US citizenship is costly – in terms of accountants' fees. There are, moreover, no pre-tax retirement savings options for overseas Americans – unlike their US-based counterparts.
 - b. FBARs are now e-filed via the Financial Crimes Enforcement Network, a phrase which riles many. The primary concern, however, over FBAR filing is that of many non-working spouses, as expressed by this woman, who has renounced her US citizenship: “Hated being treated like a criminal and filing FBARs on money earned solely by my UK only husband.” Others speak of stress created in their mixed-nationality marriages, especially those who are home-makers with income-earning non-US spouses, because of US filing requirements.
 - c. FATCA reporting requirements, also requiring reporting on joint accounts with non-US spouses, have further ramifications: numerous respondents also noted severe difficulties in retaining – or opening – investment accounts, bank accounts and, in some cases, securing mortgages, as banks increasingly refuse US customers. Numerous respondents reported great difficulties and stress in planning for retirement – with investment accounts increasingly closed to them in the countries they live in, as well as in the US (where many investment funds now require a US address).
- 7) Many respondents offered a “wait and see” response, noting that that if FATCA, in particular, is not changed, they feel that they will be “forced” to renounce US citizenship.
- 8) Two groups of US citizens and former US citizens feel particularly targeted by US financial reporting requirements, as well as by US citizenship policy, as explained well by this respondent in Canada: “Canada is home to many border babies, born in the US because that was the location of the closest hospital, and ‘Accidentals’ like myself that left the US as young children with no say in where they were born.”
These individuals – or their parents – believed that they no longer held US citizenship, having naturalized or held Canadian citizenship or not been aware of legal changes in US nationality law.

¹ Additionally, prior to 2004, only “wilful non-compliance” with FBAR filing was penalized; after 2004, “non-wilful non-compliance” also had fines of up to \$10,000 per non-reported bank account.

Many realized only recently that the US Government still considers them US citizens, often after having been assured by US officials that they were not citizens, as this respondent said: “I was horrified to find out this year that the US is still claiming me as a citizen” – having relinquished US citizenship at the time of naturalizing as a Canadian. This person is not alone. Either not having been aware they were US citizens, or having been assured, many years ago, by Consulate officials that they were not, such individuals now face the cost of filing five years’ tax returns – even if no tax is owed – and potentially a \$2350 renunciation fee, which for many is “prohibitively expensive”. They feel caught and targeted by US policy.

- 9) For many other respondents, a strong sense of anger and feeling of “being targeted” also emerged: “It is not a crime to live abroad and the US should not treat its expat citizens like criminals. I would never consider renouncing my US citizenship if the US treated me respectfully. As it is, I may end up renouncing, and that is a sad situation.” One person who renounced noted “What upsets me the most is the attitude by most US people that everyone outside the US is a tax cheat” and another noted “FATCA treats families like mine as suspected criminals until proven otherwise all because one family member is American who dared to marry abroad.”
- 10) Many expressed strong pride in being American, noting they would never renounce citizenship. Nonetheless, even some of those who have given no thought to renunciation still note, as this person did, “Folks upset about taxation without representation is what created the US.” A respondent with no intention of renouncing notes that “1. I'm an American. 2. I deeply resent being treated like a tax fraud or a drug lord.” This respondent, also with no intention of renouncing, said: “I find it tragic that many Americans living abroad are finding it necessary to give up their US citizenship based upon primarily taxation and banking problems. I think the IRS has to revise the code.”
- 11) Another person who has actively thought of renouncing, although does not intend to go through with it, said: “I do think that the mass media representation of this issue neglects to capture how difficult this decision is and how heartbreaking and frustrating it is. It's like being in a cage.”
- 12) Many of those who did renounce or relinquish their citizenship expressed the pain of doing so, as this woman did: “It’s a bit like having a mastectomy because giving up my passport was traumatic for me.”
- 13) A very high degree of stress and even fear was expressed by a number of respondents, as expressed by this person “When I found about FBARs and the penalties involved I was unable to eat and sleep properly for weeks”. Many fear that inadvertent filing errors will wipe out retirement savings.
- 14) Numerous respondents mentioned their frustration with a lack of political representation of overseas Americans. They noted that they do vote in US federal elections, but also noted a lack of response concerning their concerns. Above all, respondents strongly felt the lack of representation of overseas Americans *per se*, as these two people did: “Double taxation without representation, without services, but with onerous ‘Orwellian’ compliance” or “I don't feel that I have any representation within the US, so I might as well start forging links elsewhere.”
- 15) For many, American pride remains strong and a key factor in not renouncing, despite costs associated with remaining a US citizen (accountants’ fees, no pre-tax retirement savings options). On the other hand, frustration and resentment over US government financial reporting policies emerge strongly as well, even among those who feel they may return to the US at some point in the future.

Dr. Amanda Klekowski von Koppenfels is the Director of the MA in International Migration at the University of Kent in Brussels (www.kent.ac.uk/brussels). She is the author of *Migrants or Expatriates? Americans in Europe* (2014; Palgrave-Macmillan).