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New Survey Shows US Citizenship Renunciation Intentions Not Linked to Income

BRUSSELS, Belgium (11 February 2015) – Figures released by the US Treasury Department show 3,514 US citizens renounced their citizenship (also includes long-term residents who gave up their residency) in 2014; this is the highest figure ever, up over 2,999 in 2014.

A recent University of Kent (at Brussels) study surveyed 1546 US citizens and former citizens (from 5 December 2014 to 20 January 2015) on this topic. Of the US citizen respondents, 31% have actively thought about renouncing US citizenship and 3% are in the process of doing so. The study shows that, in contrast to what is commonly thought, income is not a key factor in their doing so.

Of those who have renounced or relinquished US citizenship (142 of the total respondents), nearly half (43%) have annual pre-tax household incomes of under \$100,000 (USD). There is, similarly, very little difference in renunciation intention between those with lower incomes and those with higher incomes: of US citizen respondents with annual household incomes under \$100,000 (USD), 28% are actively thinking of renouncing; of US citizen respondents with incomes above \$250,000 (USD), 33% are actively thinking of doing so.

The University of Kent study shows that many overseas Americans are feeling increasingly pressured by US financial reporting requirements and that maintaining US citizenship is costly – in terms of accountants' fees. One respondent noted: "I can't pay an accountant 2000€ in order to pay the USA \$0.00 in the end." Fear of "draconian" FBAR (Report of Foreign Bank and Financial Accounts) penalties is also widespread, as this pensioner noted: "Annual income under \$4,000; potential FBAR penalties \$30,000 per annum for 3 small accounts! I am old and dependent on savings; one paperwork lateness could leave me facing starvation."

Numerous respondents also noted severe difficulties in retaining or opening investment accounts, bank accounts and, in some cases, securing mortgages, as local banks increasingly refuse US customers – which negatively affects their ability to plan for retirement. Some 39% have lived abroad for over 20 years, and over two-thirds (67%) say they are unlikely to return to the US.

All US citizens living outside of the US are required to comply with both taxation on global income and financial reporting requirements. Certain groups of US citizens and former US citizens feel particularly targeted, as a respondent in Canada explained: "Canada is home to many border babies, born in the US because that was the location of the closest hospital, and 'accidentals' like myself who left the US as young children with no say in where they were born."

This University of Kent survey – the first academic study of its kind, and the largest look at the attitudes of Americans living abroad on this topic to date – shows that income is not the key motivating factor in prompting renunciations, but that increasing reporting requirements, fears of "draconian" penalties and increasing inability to hold a bank account are factors prompting renunciation.

A longer summary of initial findings is available.

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