

# Report: Rising Number of Americans Relinquish Citizenship to Avoid High Taxes

by Frank L. Brunetti on September 18, 2013

A growing number of Americans are renouncing their U.S. citizenship and handing in their passports at faster rates in an effort to avoid rising high tax rates and complicated tax law, according to a newly-published government report.

The Internal Revenue Service released its Quarterly Publication of Individuals who have chosen to Expatriate in the Federal Register. The findings reveal that during the fourth quarter of 2012 - ending on December 31 - 45 Americans renounced their U.S. citizenship. This number increased to 679 during the first quarter of the year, ending on March 31, and jumped by 1,130 during the second quarter alone.

The spike in the number of people renouncing their citizenship has largely been attributed to the upcoming implementation of the Foreign Account Tax Compliance Act (FATCA), which will require foreign financial institutions to disclose more account information on assets and investments held by U.S. taxpayers. The new tax law is expected to provide for more transparency, build an international network of institutions combating tax evasion, and lower the prevalence of tax law violations. New penalties recently announced by the government revealed that Swiss banks that want to avoid criminal lawsuits may be required to pay as much as 50 percent in penalties for hiding foreign accounts held by Americans. This move is expected to greatly diminish the viability of Swiss tax havens.

As these penalties and further pressure on foreign institutions continues, some Americans who can no longer gain favorable tax treatment by hiding assets overseas have opted to renounce their citizenship to legally avoid American income tax. However, some analysts agree that the FATCA is not the sole driver of the spike in renounced citizenships recently. An increase in capital gains and income tax rates in 2013 may also be a component in the high number of renunciations, the San Francisco Gate reports.