

Dispelling the Myth of the Wealthy American Expat, or Are Americans Free to Live Outside the United States?

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“I feel threatened by my very identity.” – US citizen living in Australia

The purposes of this paper are (1) to dispel the myth of the wealthy American expat seeking to avoid US taxation, (2) to offer additional data to both complement and corroborate existing data about Americans living overseas (as contained in the surveys mentioned below), and (3) to demonstrate how and why, as result of US taxation and banking policies, Americans of any income level are not free to live outside the United States.

The objective of this paper is to make the case for much needed reforms of US taxation and banking policies as they relate to Americans living overseas.

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Introduction

The number of US citizens living outside the United States is estimated to be anywhere from 5.5 to 9 million.¹ As US citizens, these persons are subject to taxation by the United States on the basis of their worldwide income, not just income from US sources. The United States is one of only two countries that taxes all its citizens—not just its residents—in this manner, regardless of where they live in the world.

While the United States has subjected its overseas citizens to taxation since the Civil War (1860s), the characteristics of both citizenship and taxation have evolved considerably since that time. We live in a world where dual citizenship is common and US citizens are also citizens and residents of other countries. The result is that the United States imposes worldwide taxation, according to US tax rules, on individuals who do not live in the United States and who, as tax residents of another country, must also conform to the tax rules of that other country.

As difficult as that already was, the stakes were increased considerably in 2010 with the adoption of the Foreign Account Tax Compliance Act (FATCA) which requires non-US banks to identify their clients who are “suspected US persons.”² Those who are US citizens are required to supply US Social Security numbers to their foreign banks and to report their non-US bank accounts to the IRS.

A. AMERICANS LIVING OVERSEAS FACE A WIDE RANGE OF CHALLENGES DUE TO US TAXATION AND BANKING POLICIES

It is no secret that Americans living outside the United States face a number of financial and personal challenges as a consequence of these policies.

These challenges have been well-documented by a number of surveys of US citizens living overseas. Examples include those conducted by American Citizens Abroad Global Foundation,³ Americans Overseas,⁴ Greenback Expat Tax Services,⁵ Amanda Klekowski von Koppenfels,⁶ and a 2014 survey by Democrats Abroad.⁷

A recent and perhaps the most comprehensive survey to date is one organized by Democrats Abroad in early 2019.⁸ It had 9,885 participants from all US states living in 123 countries. The survey documents in detail the multitude of challenges Americans living overseas face as a result of US taxation and banking policies.

These challenges include (as documented not only in the 2019 Democrats Abroad survey but also in other surveys):

- onerous and expensive tax compliance responsibilities,
- denial of financial services (bank, investment and retirement accounts) both in their countries of residence and in the United States,
- difficulty reconciling two different tax systems, resulting in the inability to make investments and save for retirement,
- having to pay US income tax on social welfare benefits (unemployment, maternity) received in another country,
- loss of employment and entrepreneurial opportunities,

- restructuring or closure their businesses overseas, and
- feelings of anxiety due to insecurity in financial planning and fear of draconian penalties.

Americans living overseas do not experience these challenges in a uniform manner. Very generally speaking, on one end of the spectrum are those who live overseas for a short period—a few months to a few years—before returning to the United States. To the extent their financial interests remain largely US-based, the challenges these Americans face while overseas are typically limited to burdensome tax returns and difficulty opening bank accounts. On the other end of the spectrum are those who live overseas on a long-term or permanent basis. Their financial interests typically are mostly if not entirely based outside the United States. When this is the case, they can and often do experience the entire range of challenges listed above.

B. CHALLENGES HAVE LED TO DRAMATIC INCREASE IN RENUNCIATIONS OF US CITIZENSHIP

For some of these persons the challenges become too great to bear, leading them to renounce US citizenship. This option is not available to everyone, however. To begin, the US citizen must also be a citizen of at least one other country as otherwise renunciation of US citizenship would leave him/her stateless. Further, the US citizen must be able to afford the \$2350 renunciation fee, the highest renunciation fee in the world.⁹

Tables 1 and 2 demonstrate how the number of renunciations has increased dramatically since the implementation of FATCA.

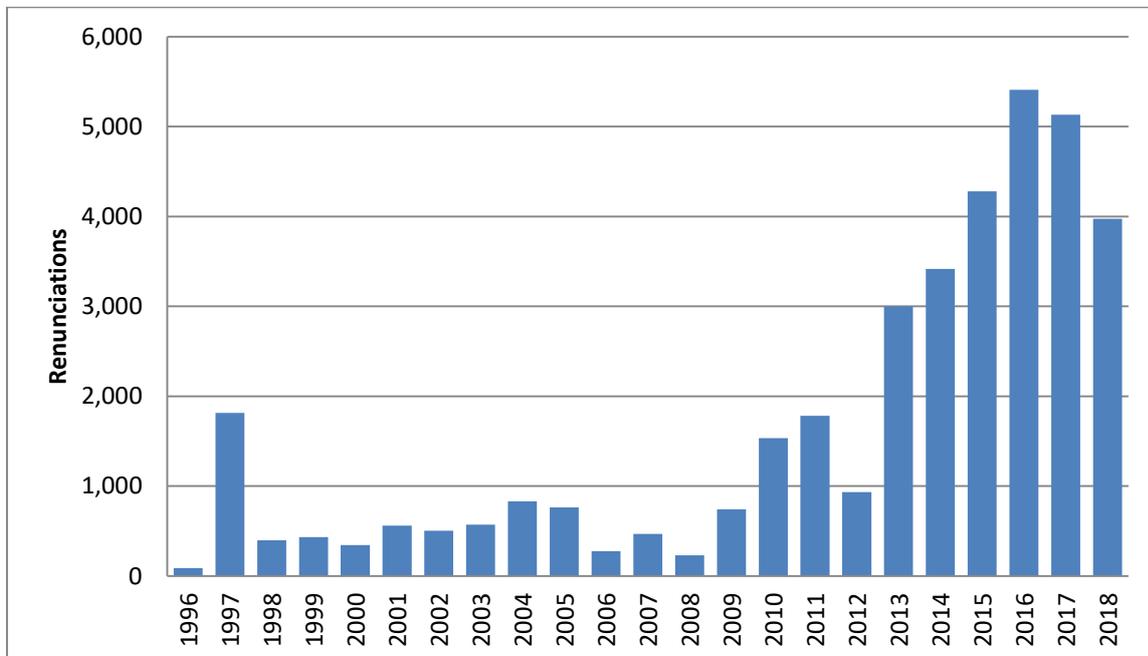


Table 1: Published renunciations of US citizenship, per year. Compiled by Mark Fitzpatrick based on the Wikipedia tracking of Section 6039g of the Federal Register.¹⁰

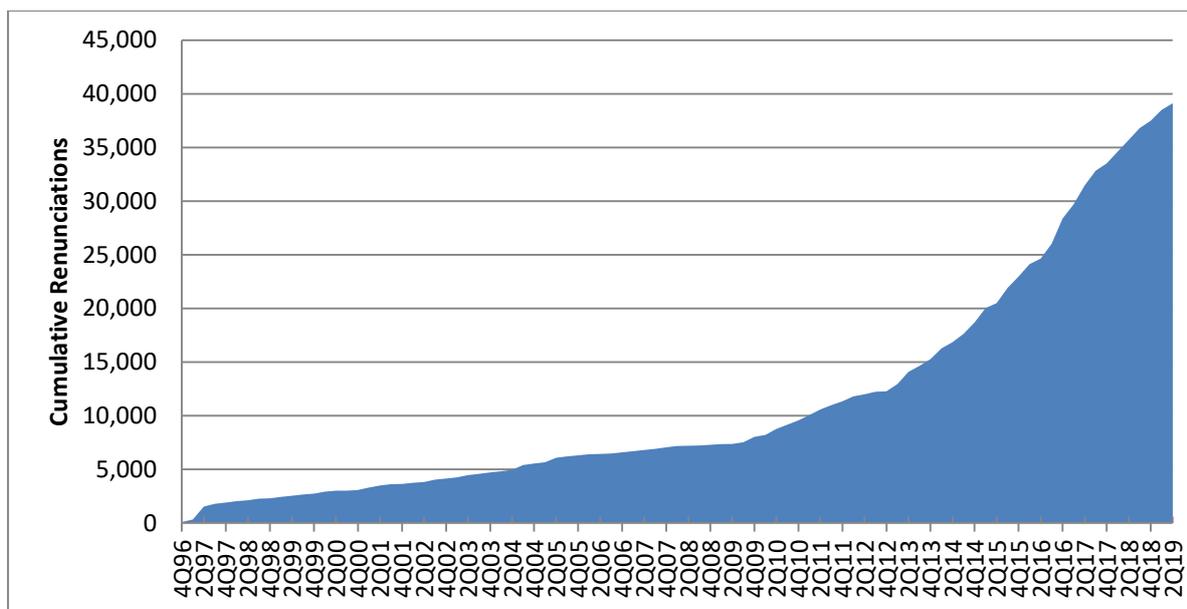


Table 2: Cumulative renunciations of US citizenship, per quarter. Compiled by Mark Fitzpatrick based on the Wikipedia tracking of Section 6039g of the Federal Register.¹¹

A number of individuals as well as organizations have been advocating over many years for reform of US taxation and banking policies in order to alleviate their effects on US citizens living overseas. These individuals and organizations encounter a number of challenges in their efforts. For example, because US citizens living overseas are scattered around the world and because they experience the problems the policies create in different manners and to different degrees, it is difficult to bring them all together to speak with a unified voice. In addition, because the problems are experienced by individuals rather than businesses, the resources—both time and money—available for the advocacy work are severely limited. The existence of these challenges does not negate the fact that reform of US taxation and banking policies is needed.

C. COMMONLY HELD MYTH: US CITIZENS LIVING OVERSEAS ARE WEALTHY AND LIVE OVERSEAS IN ORDER TO AVOID US TAXATION

Perhaps one of the biggest challenges advocates face is the myth, or stereotype, that many “homeland” Americans—including policymakers—have of Americans living overseas. It runs along these lines: because only wealthy people can afford to travel overseas, Americans who live overseas must be wealthy. And if they voluntarily live outside the United States, it can only be because they want to avoid paying US taxes. And in their attempts to avoid paying US taxes, they must be hiding their wealth in “offshore” bank accounts (“offshore” meaning bank accounts in the countries where the US citizens reside—any account that is not in the United States is by definition “offshore”).

1. Myth Reflected in Academic Publications

The myth can be seen in a multitude of express statements and unquestioned assumptions made in reputable academic and other publications. Here are three recent examples:

In his article “Beware High-Wealth Tilt in Residency-Based Tax Plans”¹² published in *Tax Notes*, Driessen argues against changing from a citizenship-based to a residency-based system of taxation because doing so “could disproportionately benefit a select group of high-capital-income and high-wealth citizens residing in the United States and abroad.”¹³ Driessen only grudgingly admits that there “may be” grounds for sympathy for overseas “taxpayers with limited resources,” but, for Driessen, their numbers are simply not sufficient to justify moving to a residency-based system.¹⁴

In their article “The Big Bang: Tax Evasion after Automatic Exchange of Information under FATCA and CRS”¹⁵ published in *New Political Economy*, Ahrens and Bothner do not countenance that FATCA might affect anyone other than “affluent households.” In attempting to make the case that FATCA has been successful because it has reduced asset holdings in tax haven countries,¹⁶ they do not envisage in any manner that FATCA might apply to or have an effect—any effect, positive or negative—on ordinary or low-income households. The entire article is premised upon the dual assumptions that (1) individuals are citizens of only one country, and (2) if an individual holds a financial asset of any kind outside his/her country of (single) citizenship, that individual can only be affluent and is likely motivated by the desire to evade taxes.

In their Stanford University working paper “Transparency and Tax Evasion: Evidence from the Foreign Account Tax Compliance Act (FATCA),”¹⁷ De Simone et. al. are more explicit about their assumptions. They state expressly that “U.S. individuals will appear as foreign buyers when purchasing foreign real estate with hidden wealth.”¹⁸ In other words, anytime and every time a US citizen purchases real estate outside the United States, it is necessarily with “hidden wealth” as opposed to funds sourced, declared and taxed in his/her country of residence. (The statement also completely ignores the existence of dual citizenship). Further, the authors are able to envision only two kinds of people who might renounce US citizenship: “It is unclear whether the expatriating individuals are ‘accidental Americans’—citizens who would otherwise be compliant but were unaware of their citizenship and reporting requirements—or if they are citizens hiding wealth offshore.”¹⁹ It is not clear: do the authors believe that only persons who fit into one of these two categories would renounce US citizenship? Or do they believe that all US citizens who live overseas fall into one of these two categories? Either way, their fundamental preconception is clear: many if not most US citizens living overseas are wealthy persons motivated principally by the desire to evade taxes.

2. Myth Reflected in Other Media

Other forms of media also propagate the myth of the wealthy American expat, taking it one step further: not only are expats seeking to pay as little in US taxes as possible, but also they live lives of indolence, typically on a beach. Figures A to D contain recent examples, all communicated via a headline and image.

These examples, both from academic publications and from other media, demonstrate that the myth about US citizens living overseas is deeply entrenched.

What expats don't know about this tax requirement will cost them

PUBLISHED MON, JUN 4 2018 • 3:07 PM EDT | UPDATED TUE, JUN 5 2018 • 11:46 AM EDT



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KEY POINTS

- About 1 in 5 expatriates are unfamiliar with the Foreign Account Tax Compliance Act, a law that requires taxpayers to report assets held overseas.
- Penalties for deliberate failure to report are as high as \$100,000 or 50 percent of the balance in the foreign account, plus potential criminal penalties.
- A voluntary disclosure program is ending on Sept. 28, 2018.



Figure A²⁰

25 Things You Need to Know About US Expat Taxes

February 26, 2018

0 shares



Sifting through and understanding the US tax code can be a daunting task. And when you're a US expat, the information is even more complex and confusing. We've compiled a list of the top 25 things all expats should keep in mind when filing US expat taxes to help you sort through the multitude of information!

Figure B²¹



DIGITAL ORIGINAL

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If you're thinking of leaving America, here's what it'll cost

The 9 million Americans who live outside of the U.S. all have one thing in common: they have to report their income to the U.S. and file taxes. Expatriates have to pay taxes to both the U.S. and the country they reside in. The U.S. and Eritrea are the only two countries that do this.

Figure C²²



Using FEIE: Physical Presence Test for U.S. expats

Aug 10, 2019 | Credits and deductions, Personal U.S. expat taxes

To use the Foreign Earned Income Exclusion, you need to pass either the Physical Presence or Bona Fide Residence Tests. As an American abroad, for 2018 tax year you could exclude up to \$104,100 by using this exclusion. As well as you can take advantage of foreign...

Figure D²³

D. DATA TO DISPEL THE MYTH

Working with a France-based association of Americans living overseas, in autumn 2018 I conducted an additional survey in relation to US non-resident taxation and banking policies. That is, the survey was conducted in addition to the ones cited above. The survey was open to all current and former US citizens and green card holders living outside the United States. A total of 602 persons living in 47 different countries participated. Of those participants, 538 (89%) are current US citizens and 48 (8%) are former US citizens (the remainder are either current or former green card holders).

A full, detailed report on the survey is available at the link below.[†] The full report explores the wide range of problems that the survey participants reported in connection with US non-resident taxation and banking policies and the prevalence of each kind of problem, and it examines how Americans living in different countries and of all backgrounds and walks of life are affected. It contains a case study examining in detail one participant's extended comment: her testimony is cogent, moving, and exceptionally rich with examples of the problems just one person can face. Finally, a full 90 pages of the 159-page report contains 287 participant comments—the participants' own words—organized by theme.

Set forth below is selected data, including participant comments, drawn from the full survey report. This material was chosen from the more detailed report in order to specifically highlight: (1) the experiences of low and middle-income Americans, and (2) the severity of the difficulties experienced by Americans living overseas of all income levels.

Numbered references to Figures are to Part 1 of the full report and numbered references to Comments are to Part 2 of the full report.

1. Selected Demographics of Survey Participants

Of the current US citizen participants who have lived in the United States, the large majority (67%) left the United States either to join a romantic partner or to pursue professional opportunities. Just one person stated that his/her principal reason for leaving the United States was to avoid US taxation. Eleven participants (2%) were born outside the United States and have never resided there.

[†] "I Feel Threatened by My Very Identity: US Taxation and FATCA Survey," 25 October 2019, available either at <https://www.taxconnections.com/taxblog/survey-dispels-myth-of-wealthy-americans-abroad-and-why-middle-class-americans-abroad-are-forced-to-renounce-u-s-citizenship/#.XcmWrTNKjIX> or at http://www.citizenshipsolutions.ca/2019/10/27/recently-released-survey-report-dispels-myth-of-the-wealthy-american-abroad-and-demonstrates-why-middle-class-americans-abroad-are-forced-to-renounce-us-citizenship/?fbclid=IwAR1LJifhJCq_VH1_oeL5AlcYzS5cQWqkiMalrleeNSW3j0XJaf7nBiGdNs.

Love (to join a romantic partner)	204
Professional opportunities	143
Adventure	41
Fulfil family obligations	39
Family left US when I was child	36
Studies	15
Learn new language	8
Other*	30

*7 each: Stay always intended to be temporary, Retirement; Unspecified; 5: Religious or cultural; 2: Fell in love with host country; 1 each: Divorce, Avoid US taxation

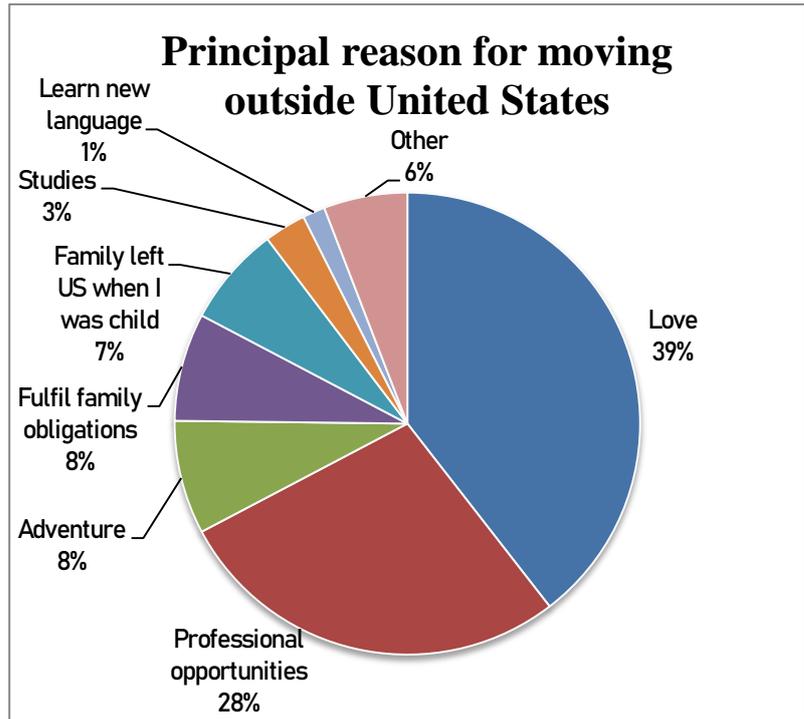


Figure 1

A total of 68% of the survey participants are either working or searching for work:

Employed	191
Self-employed	111
Officially retired but continue to work	27
Unemployed + looking for paid work or self-employment	34
Student	17
Retired	22
Not working + not looking for paid employment or self-employment	36

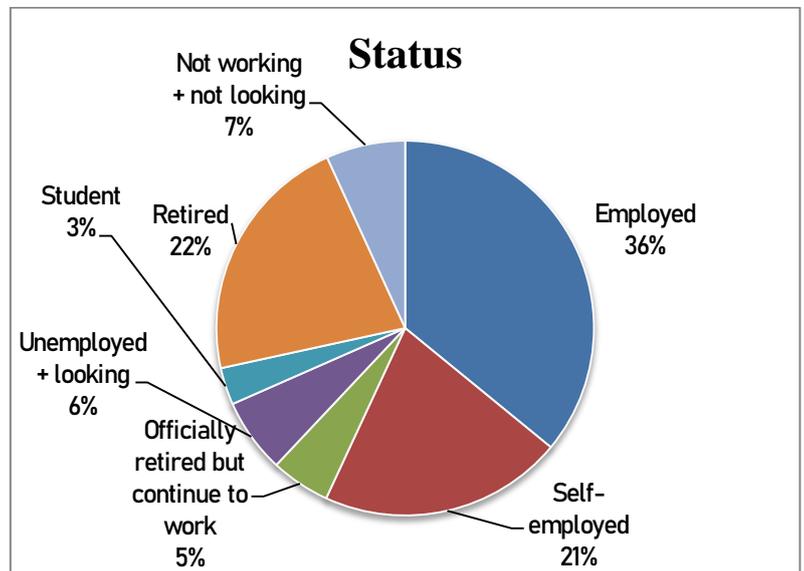


Figure 2

Most participants reported modest annual incomes: 67% reported less than US\$70,000 per year and 44% reported less than US\$40,000:

\$0	22
\$1 to \$20,000	108
\$21,000 to \$40,000	99
\$41,000 to \$70,000	119
\$71,000 to \$150,000	120
\$151,000 to \$300,000	50
Over \$300,000	8

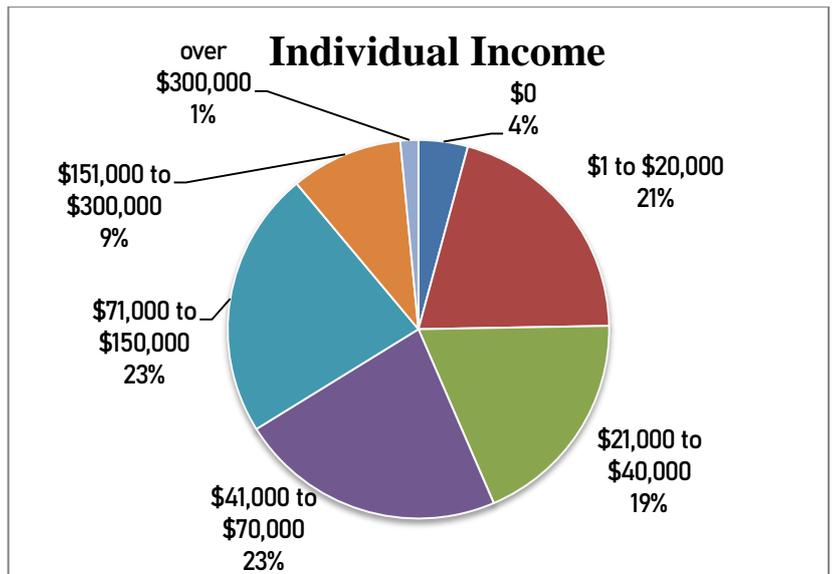


Figure 3

Participants reported overall higher household annual incomes. 39% reported less than US\$70,000 per year and 20% reported less than US\$40,000:

\$0	7
\$1 to \$20,000	31
\$21,000 to \$40,000	64
\$41,000 to \$70,000	98
\$71,000 to \$150,000	177
\$151,000 to \$300,000	102
Over \$300,000	28

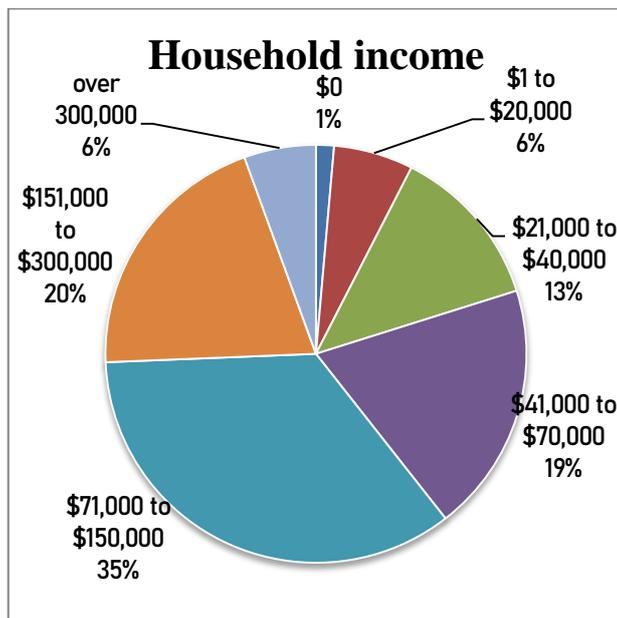


Figure 4

The chart below illustrates the extent to which many participants are heavily dependent upon household income rather than solely their own:

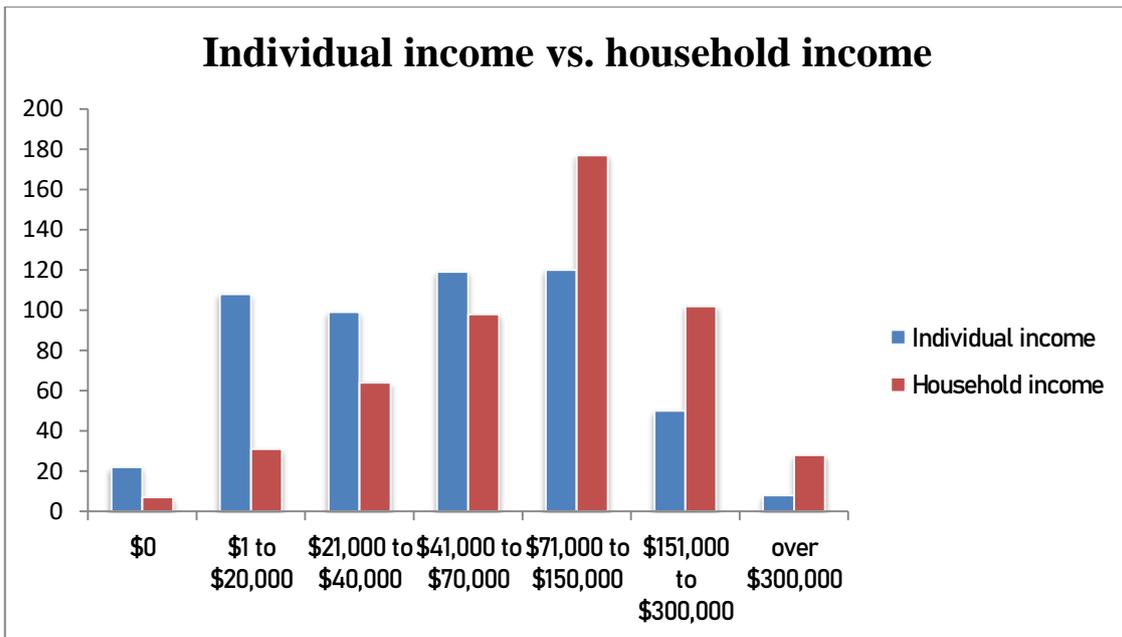


Figure 5

2. Selected Experiences of Survey Participants by Level of Income

The data below exposes by income level some of the experiences of survey participants in connection with US taxation and banking policies.

a. High Expense of Compliance

The tax reporting obligations for US citizens living overseas are so complex and lengthy that it is impossible for many US citizens to comply with them without spending several hundreds if not several thousands of dollars for professional assistance. This is the case even when the US citizen’s income is very low and the US tax ultimately owed is \$0.

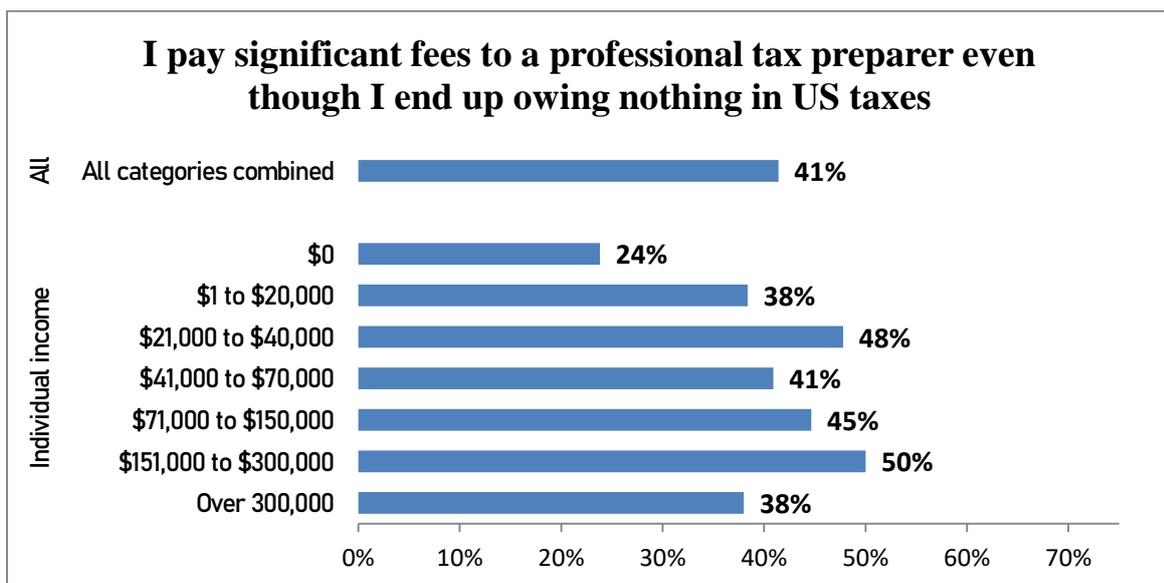


Figure 6

Comment 3
Woman
France
Individual income: \$1,000 to \$20,000

“My tax returns are so complicated I cannot prepare them without the assistance of a professional tax preparer. The last time I tried I spent countless weekends pulling out my hair trying to do it correctly. I finally had to just send it in. It turned out that I did not do it correctly and had to pay a penalty. Since then I have had no choice but to pay a professional tax preparer between €2000 and €3000 per year to complete my tax returns. This is one-fourth of my annual income – yes, one-fourth. And of course because my income is so low I end up not owing any tax. So, in essence, I pay €2000 to €3000 per year to a PRIVATE individual for the “privilege” of being a US citizen living outside the United States.”

b. Penalization of Investments and Retirement Vehicles

It is impossible to reconcile the US tax system with the system of a US citizen’s country of residence, with the result that many investment and retirement vehicles favored under the system of the US citizen’s country of residence are penalized, often harshly, by the US system. This has a number of consequences including the inability to make certain investments and significant difficulties in planning and saving for retirement.

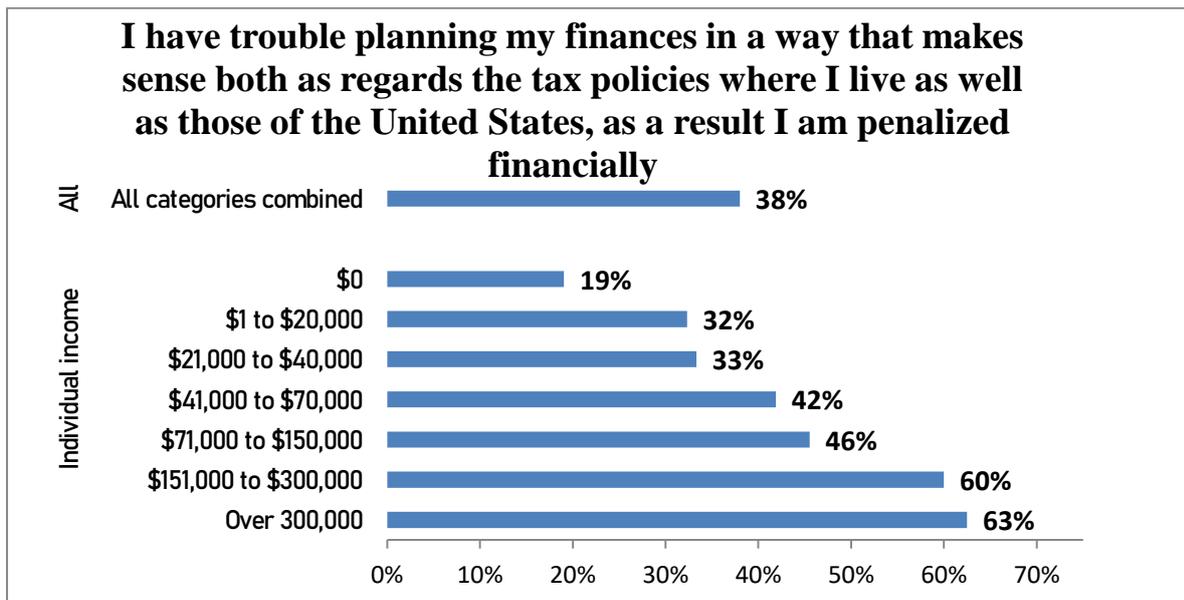


Figure 7

Comment 74
Woman
UK
Individual income: \$41,000 to \$70,000

“Since retiring, I’ve been dependent on my occupational pension and the British State Pension. Although adequate to live on comfortably, I knew they would not cover future care home fees, so many years ago I started to invest most of my savings in stocks/shares Individual Savings Accounts (ISAs); established by the government to encourage people to save, they have a limited yearly allowance and are open only to people resident in Britain.

Unfortunately, however, stocks and shares ISAs are invested in mutual funds, and I did not realise that the US regards such investments as Passive Foreign Investment Companies (PFICs). Had I been a high-net-worth individual, I would have had specialist financial advice to warn me against making such an investment, but, as a middle-income academic, I had no access to or reason to seek such advice. I now know that because of the confiscatory way in which the US taxes PFICs, encashment means I will lose between 50% and 100% of the investment.”

c. Barred from Investments

Banks and other foreign financial institutions are barring “suspected US persons” from certain investments.

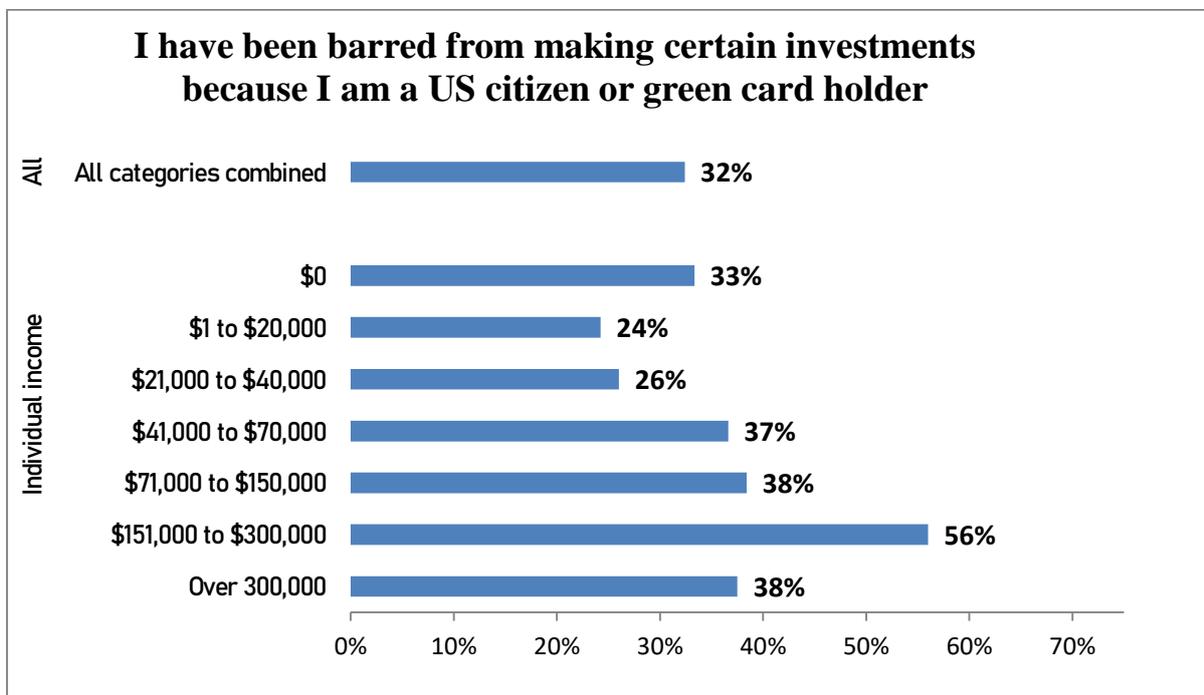


Figure 8

Comment 100
Woman
Italy
Individual income: \$21,000 to \$40,000

“I’m a bank employee and my last employer based in Italy closed my bank account cause I was American. At the moment that bank refuses us citizens for any banking service and the bank is Banca Ubi and iwbank. Where I work now I dont have a bank account but I asked about annualities, mutual funds, pips and pirs (pension financial services) and said that none of them I could apply cause I’m American and the financial houses that create these types of financial products refuse Americans. Hence I cannot plan my future with financial services and protect my family in Italy.”

d. Difficulty Opening or Maintaining Financial Accounts Outside the US

Banks and other financial institutions are refusing to open new accounts and are closing accounts of “suspected US persons.”

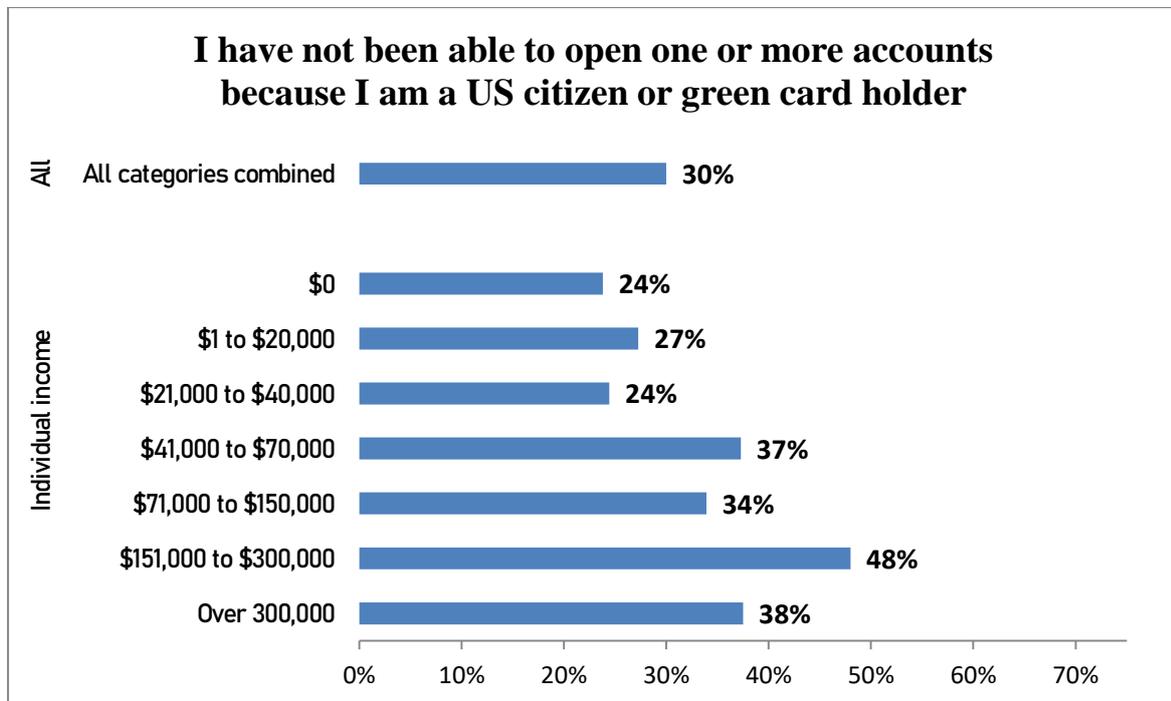


Figure 9

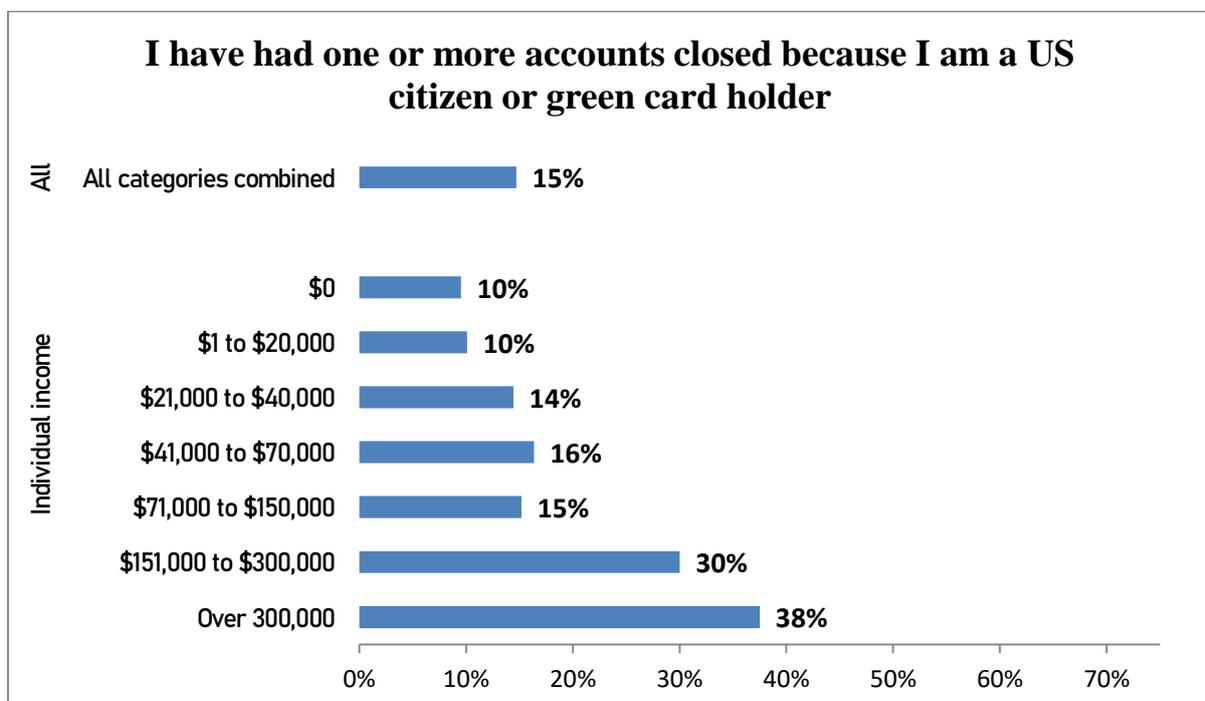


Figure 10

Comment 106
Woman
France
Individual income: \$1,000 to \$20,000

“I am fortunate to have opened my French bank accounts over 10 years ago. My counselor at Soc. Gen. told me that I would not be able to get one if I walked in the door, today. In fact, when I tried to change my Soc. Gen. agency to one closer to my residence, I was asked to submit my US tax declaration. I was afraid that I would lose the account so cancelled the request.

The Orange bank closed my 8 year 'assurance vie' account, after 7 years, because of my US nationality.”

e. Loss of Access to Household Assets

US-citizen spouses are being prevented from holding joint accounts with their non-US citizen spouses, either because the bank refuses the US citizen spouse as joint account holder and/or because the non-US citizen spouse understandably objects to having his/her account or other information submitted to US authorities or to have the asset be subject to US taxation and so refuses to hold the account or other asset jointly with their US-citizen spouse.

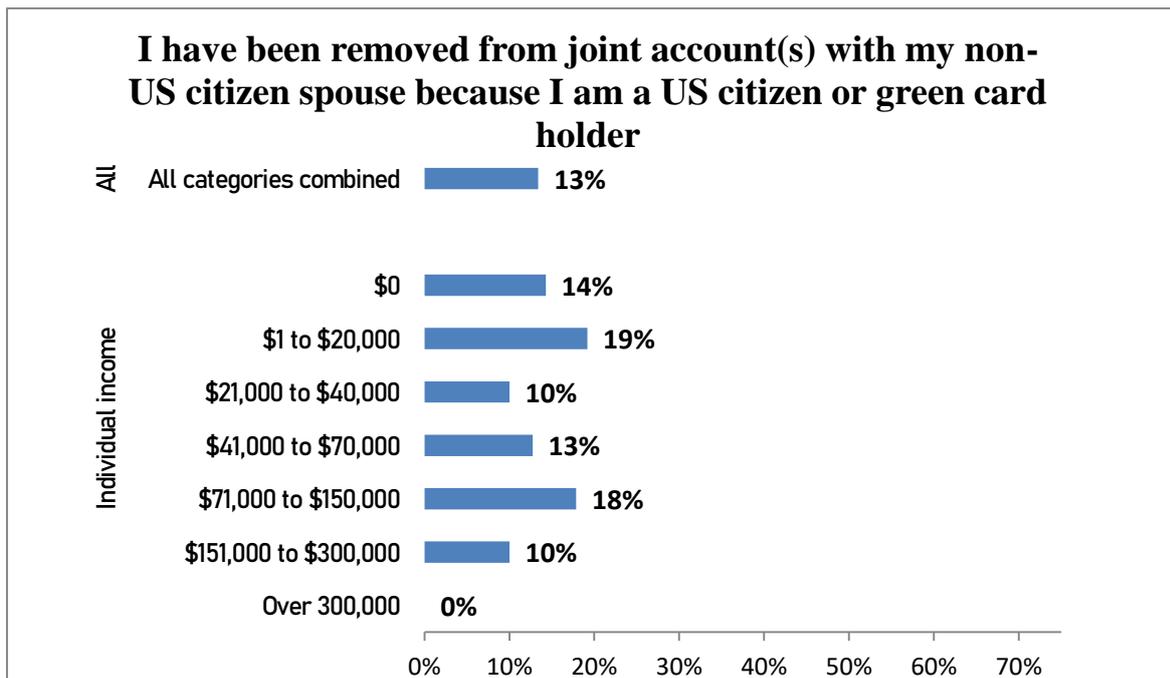


Figure 11

Comment 4
Woman
UK
Individual income: \$1,000 to \$20,000

“I feel like a second class citizen [...] My husband doesn't want me on the bank accounts which is understandable but makes me feel vulnerable [...] I am very worried about my financial future.”

f. Special Hardships for Entrepreneurs and Small Business Owners

Owners of small and medium-sized businesses located outside the United States are subject to additional burdensome filing obligations and, under the 2017 Tax Cuts and Jobs Act, to debilitating additional taxation—the Repatriation Tax and GILTI.

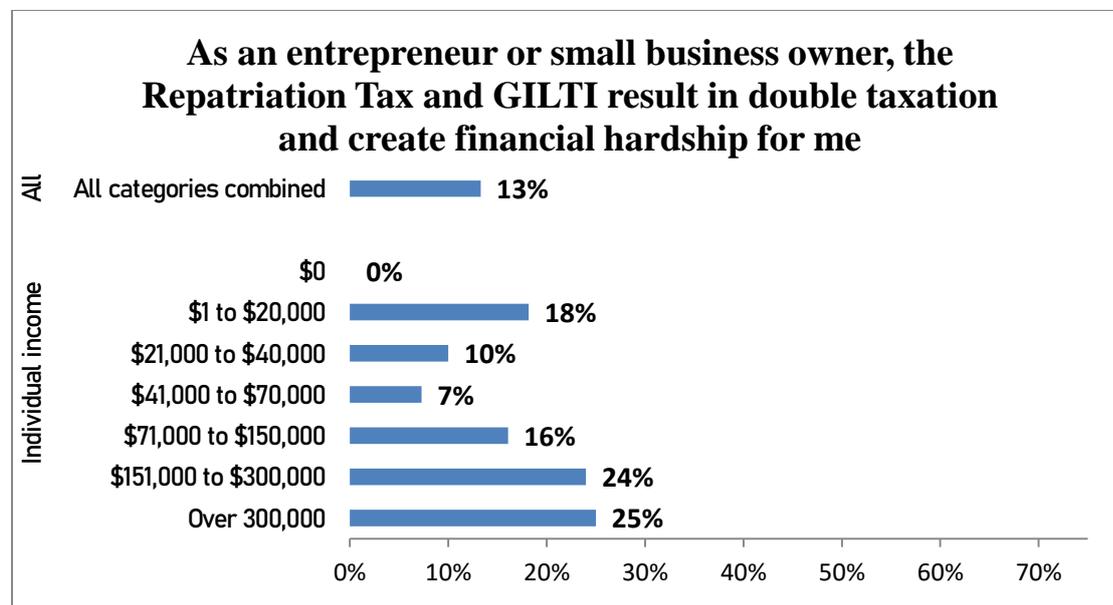


Figure 12

Comment 160
Man
Switzerland
Individual income: \$21,000 to \$40,000

“I own a very small business in the country I live in. I've been attempting to be compliant for the last 10 years. The 5471 is a very intimidating information form with severe penalties, up to \$500,000 and 5 years in prison per year the 5471 is not filed or completed incorrectly. It is not possible for anyone but an accountant specializing in the 5471 to fill in this form, and even then, the question of correctness remains open to interpretation by the courts. My accountant [...] cannot guarantee her work is correct, and she's studied how to complete this form for years.

Now the repatriation tax and GILTI tax are layered on top, and different accountants and tax lawyers seem to have different opinions and ideas regarding how to calculate this tax correctly and what deductions may be applicable. What a legal minefield! [...] here is no possible way anyone but an accountant specializing in these taxes would be able to know what to do. [...]

I've had a downturn in my business in the last year that I'm trying to recover from, and right now I simply cannot afford to hire an international tax attorney, nor do I know who I could trust to successfully navigate the inevitable traps and trip wires in this legislation. The risks associated with expat small business ownership seem to have grown exponentially [...] It's become a potentially very dangerous situation for people like me.”

g. Inability to Serve Not-for-Profit

US citizens living overseas are being denied opportunities to serve as an executive officer or in other positions with signature authority for a non-US not-for-profit organization.

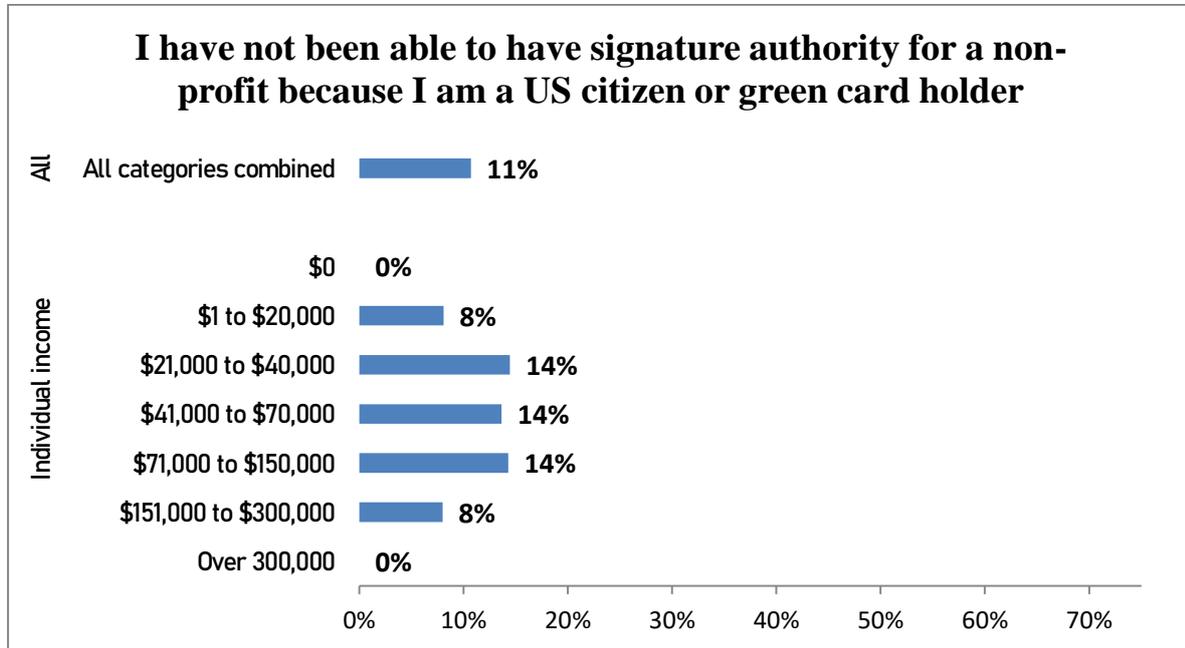


Figure 13

Comment 126
Woman
Netherlands
Individual income: \$1 to \$20,000

“I am the driving force of the Home Owners Association, without me they are all non-compliant with the law, yet it's not handy for me to be a trustee of the Association's bank account [because the account would then have to be reported to US authorities].”

h. Loss of Access to or Other Difficulties with Employment

US citizens living overseas either are being denied employment opportunities or are having other difficulties with respect to employment.

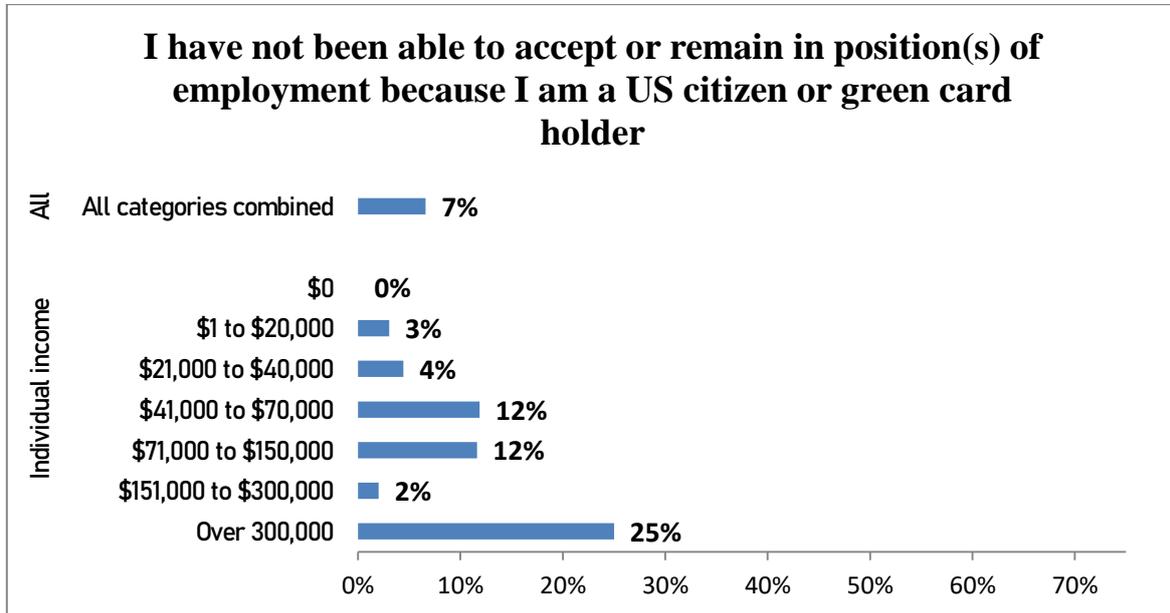


Figure 14

Comment 26
Man
Singapore
Individual income: \$151,000 to \$300,000

“I recently had an offer to join a small, venture-backed technology company but the CEO rescinded after concerns arose from me having signature authority over corporate bank accounts and what that would mean for my own FBAR reporting. Instead of working on potential solutions, the company's board decided to go with another (non-US) candidate.

I had previously started a business with 3 other co-founders, all non-US citizens. As the business started to scale, the others asked me to step away from the business formally to break any financial ties to me & the US tax system.”

3. Selected Data With Respect to Survey Participants who Renounced US Citizenship

As discussed above, after the implementation of FATCA there was a dramatic increase in the number of persons renouncing US citizenship. As the charts below demonstrate, most of the survey participants who renounced their US citizenship have modest incomes: 77% report individual income of \$70,000 or less and 56% report household income of \$70,000 or less. None reported individual income over \$150,000 and none reported household income over \$300,000.

\$1 to \$20,000	9
\$21,000 to \$40,000	9
\$41,000 to \$70,000	9
\$71,000 to \$150,000	8

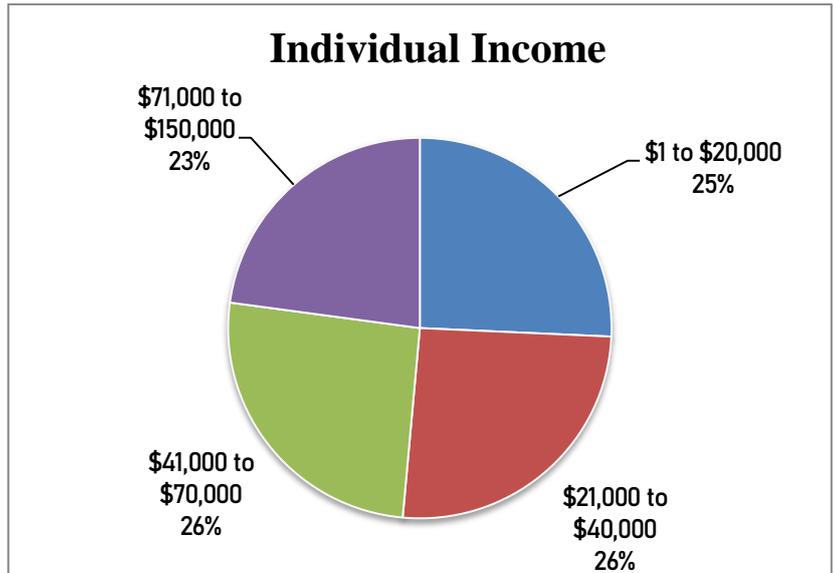


Figure 15

\$1 to \$20,000	2
\$21,000 to \$40,000	6
\$41,000 to \$70,000	10
\$71,000 to \$150,000	10
\$151,000 to \$300,000	4

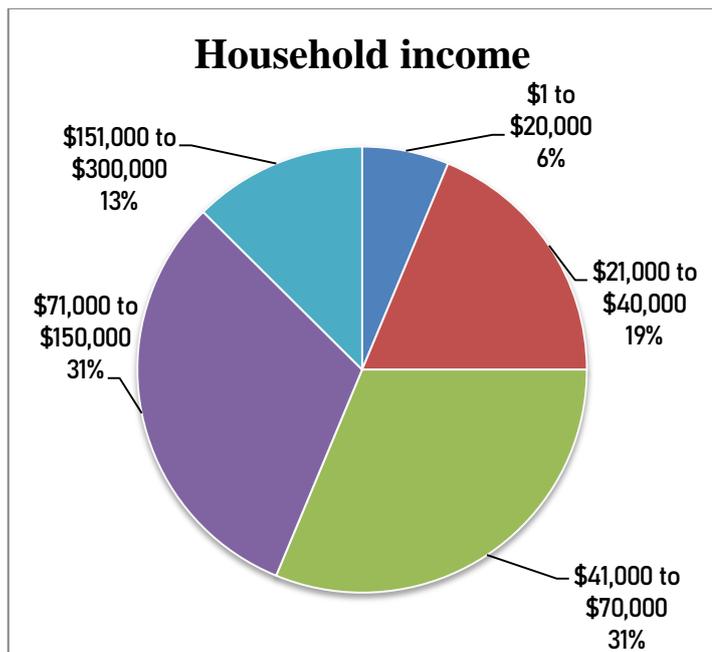


Figure 16

Most (64%) of the participants who renounced did so either because of difficulties to remain compliant with their US tax obligations or because of denial of access to banking and other financial services. Just one person renounced in order to avoid paying US taxes.

It was too difficult to remain compliant with my US tax obligations	19
As a US citizen I was denied access to banking and other financial services	10
I no longer felt a connection with US or felt stronger connection with (new) home country	5
My (new) home country does not allow dual citizenship	2
I wanted to avoid paying taxes to the US (†see more information in table below)	1
Other reason*	8

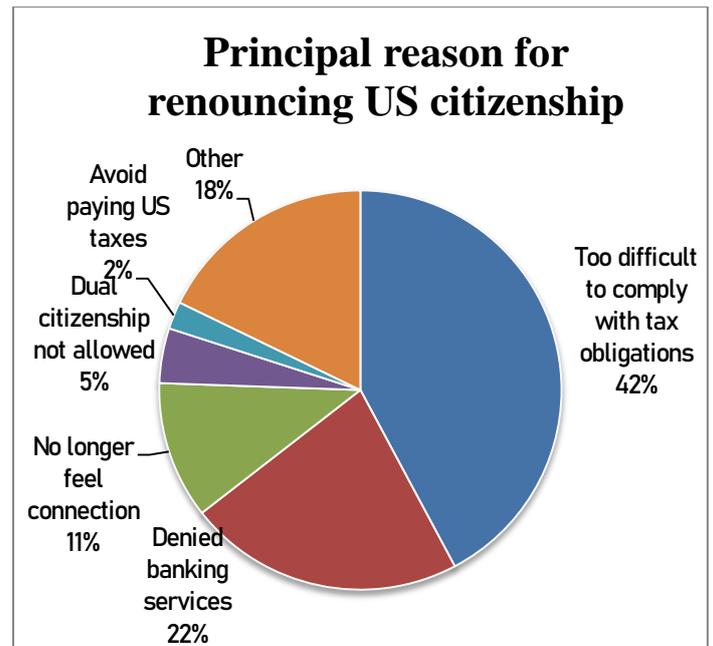


Figure 17

	*Other reason	Individual income
1	“Both that I felt no connection because living outside USA my whole adult life and too difficult to remain compliant”	Did not report
2	“Fear for IRS while paying in Netherlands 45 years very high taxes”	\$21,000 to \$40,000
3	“I also hold another European nationality by birth and wanted to take the nationality of my new home country”	\$1 to \$20,000
4	“I served the French in the army as officer”	\$70,000 to \$150,000
5	“I will not be their property”	\$41,000 to \$70,000
6	“Immoral FATCA Discrimination”	\$71,000 to \$150,000
7	“It was nearly impossible to plan adequately for retirement in my country of residence because popular options were not available to me as an American or they would have triggered burdensome reporting obligations requiring expensive professional help and they might still have been severely penalised by the IRS”	Did not report
8	“The IRS told me the reason they penalized me was that I wrote honest declarations on tax returns. The IRS didn't tell me about Internal Revenue Bulletin 2005-14 but I found it by accident later. Yes, even if you write an honest declaration that your employer issued a falsified tax certificate (equivalent to US form W-2), you get penalized for telling the truth”	\$1 to \$20,000
†	I wanted to avoid paying taxes to the US	\$41,000 to \$70,000

Of the participants who renounced because of US tax compliance or banking difficulties, over half (51.4%) report individual income of less than \$40,000 and 69% report individual income of less than \$70,000. Nearly a quarter (24%) report household income of less than \$40,000 and 41% report household income of less than \$70,000.

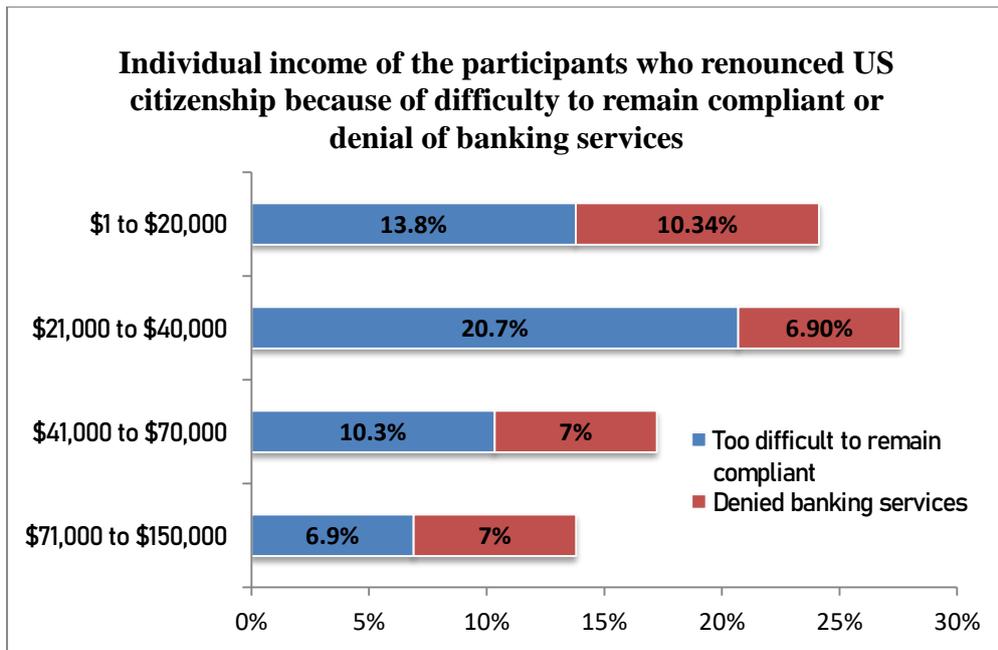


Figure 18

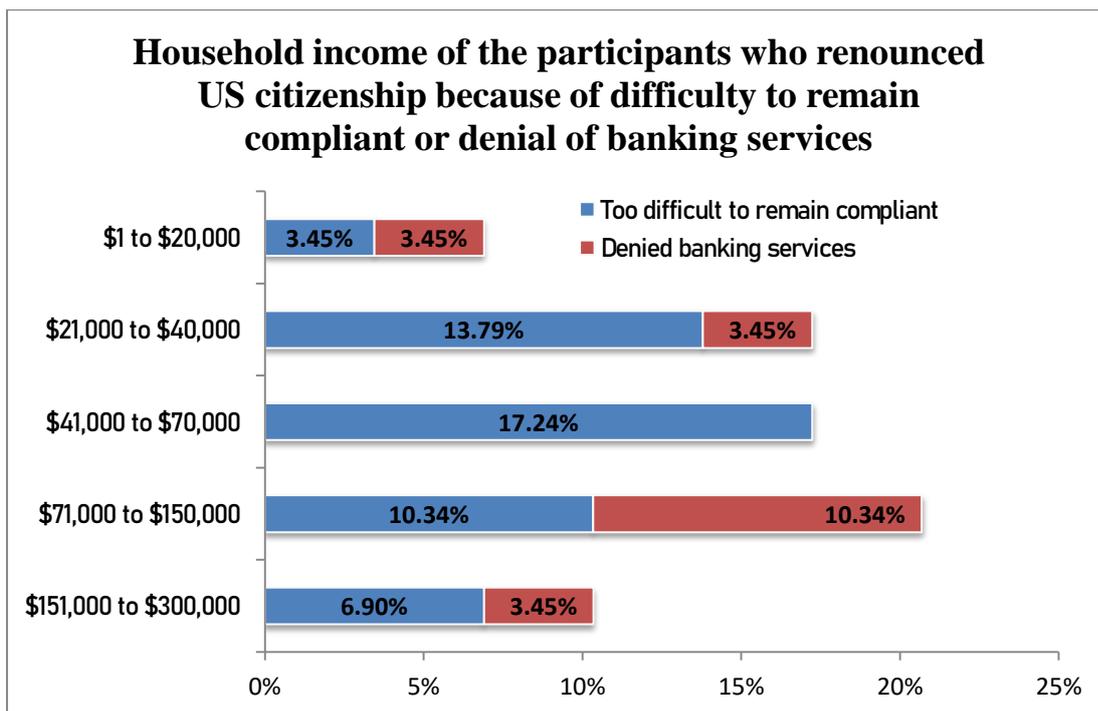


Figure 19

Comment 9
Woman
Australia
Individual income: \$21,000 to \$40,000

“When I discovered in 2016 how high the penalties were for not filing FBARS and that I was supposed to have been reporting on my small business with the 5471 and also my superannuation, I was in shock and have been operating since then in a state of extreme anxiety. Since I was already in the system and had been filing using a US tax agent who was negligent in his cross border and knowledge and advice, I choose to file the streamlined program. It cost me a small fortune and I had to go through several accountants to find one that I trusted, as well as consult a US tax attorney. It now cost me about AU\$5000 a year to continued compliance and I realize that each tax accountant interprets the IRS rules differently because there is no black and white under the Australian tax treaty, especially as far as treatment of our retirement funds here, superannuation. It is very complicated since I have a non-US husband but two dual citizen adult children who are both contemplating renouncing. I do not want to renounce because I still have close relatives in the US who I try to visit every year. My life has been turned upside down since 2016, a real paradigm shift in my consciousness of having thought of the US as the greatest country in the world and I was very proud to be a citizen, now I feel threatened by my very identity.”

Comment 215
Woman
France
Individual income: \$1 to \$20,000
Renounced 2 to 5 years ago

“[T]he expense of compliance was too much - retired now living on a lower fixed income. [My] bank wanted me to either produce renunciation paper or they would have to close me out - tried to find other banks - after six refusals, I realized I was in a no-win situation - I quite simply had to have access to banking services.”

Comment 236
Woman
UK
Individual income: \$41,000 to \$70,000
Renounced 2 to 5 years ago

“The US extraterritorial tax code and FATCA made me a second class US citizen, a second class British citizen and a second class human being unable to live without severe restrictions on my life and with the ever present threat of financial ruin for making a mistake with a form. With renunciation came true freedom.”

Comment 238
Man
Canada
Individual income: \$71,000 to \$150,000
Renounced 2 to 5 years ago

“It was impossible to fully understand and comply with all the rules and an error could mean one could lose everything. Aside from the huge costs the many contradictions created huge stress and offered zero benefits. It also meant I could not help sick parents with their affairs etc. It was basically terrorism so I had to renounce. Getting tax returns done was both very costly and difficult. No one in town had a full understanding of the issues. I had to travel quite far to find someone and it cost thousands for personal returns. A huge drain on finances.”

E. CONCLUSION

The data above directly challenges the myth of the wealthy American expat seeking to avoid US taxation. Further, it corroborates the other surveys mentioned at the beginning of this paper and provides additional evidence of the wide range and the severity of the difficulties that Americans living overseas—of any income level—experience as result of US taxation and banking policies.

More specifically, as regards the survey participants:

- 67% have an income of less than \$70,000 per year and 90% have an income of less than \$150,000 per year;
- 39% left the United States to join a romantic partner in another country, 28% left to pursue professional opportunities, and 2% were born outside the United States and have never lived in the United States; just one participant reported leaving the United States in order to avoid US taxation;
- 38% are unable to reconcile the US tax system with the system of their country of residence, with the result that their investments and retirement vehicles are harshly penalized by the US system;
- 32% have been barred from making certain investments;
- 30% have not been able to open one or more financial accounts and 15% have had one or more existing accounts closed;
- 11% have been denied opportunities to serve as an executive officer or in other positions with signature authority for a non-US not-for-profit organization.

Two data points from the survey merit special attention, one as regards low and middle income Americans living overseas and the other as regards higher-income Americans:

1) Across all survey participants, 13% have been prevented from holding joint accounts with their non-US citizen spouses. As regards Americans with incomes of \$1 to \$20,000 this number goes up to 19%. This is in stark contrast to Americans with incomes of \$300,000 or more: 0% report this experience.

2) Across all survey participants, 7% have been denied employment opportunities or have had other difficulties with respect to employment. However, as regards Americans with individual income of \$300,000 or more, that number jumps to 25%. This significant difference is likely because employment issues arise in relation to signature authority for the employer's accounts and to share ownership: these issues typically come up in connection with high/executive-level—and so often highly paid—positions.

Both of these data points are alarming: On the one hand, a significant number of low-income Americans living overseas are being denied access to their household assets when, in all likelihood, they are heavily dependent upon those assets given their low individual incomes. This leaves Americans who were already vulnerable even more so, especially in the event of divorce or the death of their spouse when they could completely lose access to household bank and other financial accounts. And on the other hand, an even larger percentage of Americans with the potential to be high-earners are being denied opportunities to earn high-incomes overseas.

In sum, while different Americans overseas experience different challenges and with different levels of severity, only some escape any problem at all (12% of survey participants report not having any problems with respect to US taxation and 15% report not having any problems with respect to FATCA). The longer an American lives overseas, the more likely it is that he/she will experience a problem of some kind, if not a wide range of problems, one or more of them potentially severe: loss of investments and retirement funds, loss of employment, inability to access household assets, inability to open or maintain a bank account.

Some deny that these problems are happening or downplay their significance: De Simone and her co-authors are not willing to acknowledge anything more than “anecdotal and press evidence” that “some” foreign financial institutions “chose” to discontinue banking with US citizens.²⁴ [Emphasis added]. Zelinsky states that he is “unimpressed by the alleged horror stories” of US citizens renouncing their citizenship.²⁵

Of those who deny neither the existence of the problems nor their severity, many respond along the lines of: “What are you complaining about? You can solve these problems by either moving back to the United States or renouncing your US citizenship.”²⁶

This response begs the question: are Americans free to live outside the United States? Reform of US taxation and banking policies as they relate to Americans living overseas is badly needed. In its absence, the response to this question cannot be “yes.”

¹ Estimating a population of 9 million US citizens living outside the United States: “CA by the Numbers,” U.S. Department of State’s Bureau of Consular Affairs, https://web.archive.org/web/20160616233331/https://travel.state.gov/content/dam/travel/CA_By_the_Numbers.pdf. Estimating a population of 5.5 million: Federal Voting Assistance Program, “2016 Overseas Citizen Population Analysis: Study Findings Volume 1,” Sept., 2016: 3, <https://www.fvap.gov/uploads/FVAP/Reports/FVAP-2016-OCPA-FINAL-Report.pdf>. In fact, there are no reliable figures on the number of US citizens living outside the United States. See Joe Costanzo and Amanda Klekowski von Koppenfels, “Counting the Uncountable: Overseas Americans,” Migration Information Source, May 17, 2013, <https://www.migrationpolicy.org/article/counting-uncountable-overseas-americans>.

² Internal Revenue Service, “Foreign Account Tax Compliance Act International Compliance Management Model (ICMM) FATCA 4.1 Report Notification Technical Support Guide Version 3.0,” June 2, 2016, 4, <https://www.irs.gov/pub/fatca/fatcaicmmreportnotificationtechnicalsupportguidedraft.pdf>.

³ “Survey results on consequences of FATCA for Americans living overseas,” American Citizens Abroad Global Foundation, Jan. 8, 2016, <https://americancitizensabroadglobalfoundation.wildapricot.org/PressAndMedia/3748196>.

⁴ Americans Overseas, “Problems Experienced by Dutch Citizens Due to the American Tax Obligation.” Results of the survey among Dutch (dual) citizens with tax liabilities in the United States: Document supplied for deliberation in the ‘Tweede Kamer’ (Dutch Parliament), June 1, 2016, <https://americansoverseas.org/app/uploads/2016/06/1-Survey-results-EN.pdf>.

⁵ “Greenback’s 2019 US Expatriate Survey Results Are Here,” Greenback Expat Tax Services, July 8, 2019, <https://www.greenbacktaxservices.com/blog/2019-us-expatriate-survey/>.

⁶ Amanda Klekowski von Koppenfels, “The Disinterested State: Negative Diasporic Policy as an Expression of State Inclusion and National Exclusion,” *Journal of Ethnic and Migration Studies*, DOI: [10.1080/1369183X.2017.1409173](https://doi.org/10.1080/1369183X.2017.1409173).

⁷ Carmelan Polce, “Democrats Abroad publishes FATCA research - “FATCA: Affecting Everyday Americans Every Day,” Sept. 15, 2014, https://www.democratsabroad.org/fatca_research_affecting_everyday_americans_every_day.

⁸ Democrats Abroad, “Tax Filing from Abroad: Research On Non-Resident Americans And U.S. Taxation,” March 2019, https://www.democratsabroad.org/carmelan/tax_filing_from_abroad_2019_research_on_non-resident_americans_and_u_s_taxation.

⁹ Robert W. Wood, “U.S. Has World's Highest Fee to Renounce Citizenship,” *Forbes*, Oct. 23, 2015, <https://www.forbes.com/sites/robertwood/2015/10/23/u-s-has-worlds-highest-fee-to-renounce-citizenship/#4a681e7447de>.

¹⁰ “Quarterly Publication of Individuals, Who Have Chosen To Expatriate, as Required by Section 6039G,” Federal Register, <https://www.federalregister.gov/quarterly-publication-of-individuals-who-have-chosen-to-expatriate>. The number of persons renouncing US citizenship as published in the Federal Register is disputed because the names of a number of persons who report having renounced do not appear. Helen Burggraf, “U.S. Finally Publishes Final 2018 Renunciation Data,” *American Expat Financial News Journal*, March 14, 2019, <https://www.americanexpatfinance.com/news/item/131-u-s-finally-publishes-final-2018-renunciation-data>.

¹¹ See note 10 above.

¹² Patrick Driessen, “Beware High-Wealth Tilt in Residency-Based Tax Plans,” *Tax Notes Federal*, June 17, 2019, 1839-43, <https://www.taxnotes.com/tax-notes-today-federal/exemptions-and-deductions/beware-high-wealth-tilt-residency-based-tax-plans/2019/07/03/29jb4>.

¹³ *Ibid.*, 1839.

¹⁴ *Ibid.*, 1839, 1843.

¹⁵ Leo Ahrens and Fabio Bothner, “The Big Bang: Tax Evasion after Automatic Exchange of Information under FATCA and CRS,” *New Political Economy*, July 10, 2019, 1-16, DOI: [10.1080/13563467.2019.1639651](https://doi.org/10.1080/13563467.2019.1639651).

¹⁶ This conclusion does not square with the conclusion of a 2018 audit performed by the Treasury Inspector General for Tax Administration (TIGTA). Subsequent to its evaluation of the IRS’s efforts to ensure compliance with FATCA by taxpayers and foreign financial institutions, TIGTA concluded that, despite spending nearly \$380 million, the IRS “is still not prepared to enforce compliance.” Treasury Inspector General for Tax Administration, “Despite Spending Nearly \$380 Million, the Internal Revenue Service Is Still Not Prepared to Enforce Compliance With the Foreign Account Tax Compliance Act,” Reference Number: 2018-30-040, July 5, 2018, <https://www.treasury.gov/tigta/auditreports/2018reports/201830040fr.pdf>.

¹⁷ Lisa De Simone, Rebecca Lester, Kevin Markle, “Transparency and Tax Evasion: Evidence from the Foreign Account Tax Compliance Act (FATCA),” Stanford Graduate School of Business Working Paper No. 3744, Feb., 2019, <https://www.gsb.stanford.edu/faculty-research/working-papers/transparency-tax-evasion-evidence-foreign-account-tax-compliance-act>.

¹⁸ *Ibid.*, 5.

¹⁹ *Ibid.*, 26.

²⁰ Darla Mercado, “What Expats Don’t Know About this Tax Requirement will Cost Them,” CNBC, June 4, 2018, <https://www.cnbc.com/2018/06/04/what-expats-dont-know-about-this-tax-requirement-will-cost-them.html>.

²¹ “25 Things You Need to Know about US Expat Taxes,” Greenback Expat Tax Services, Feb. 26, 2018, <https://www.greenbacktaxservices.com/blog/25-things-need-to-know-us-expat-taxes/>.

²² “If You’re Thinking of Leaving America, Here’s What It’ll Cost,” CNBC, June 30, 2018, <https://www.cnbc.com/video/2018/06/30/american-expatriates-taxes.html>.

²³ “Using FEIE: Physical Presence Test for U.S. Expats,” 1040 Abroad, Aug. 10, 2019, <https://1040abroad.com/blog/>.

²⁴ De Simone et. al., “Transparency and Tax Evasion,” 36.

²⁵ Edward Zelinsky, “Defining Residence for Income Tax Purposes,” *Tax Connections*, April 2, 2019, <https://www.taxconnections.com/taxblog/defining-residence-for-income-tax-purposes/#.XWezyegzBIU>.

²⁶ For example, see this Twitter exchange: <https://twitter.com/stucrew1/status/1075059558094176256>.