

More Americans abroad apply to give up citizenship

MORE and more overseas Americans are looking to renounce their US citizenship.

The numbers have risen steadily over the past 12 years since the adoption of Fatca, a US law requiring financial institutions around the world to report directly to the American tax authorities all the assets and incomes of any US citizens with \$50,000 or more on their books.

The US and Eritrea are the only countries to base tax on citizenship, not residency, meaning the salaries of Americans living abroad are subject to US income tax.

Some 6,705 Americans were reported to have irrevocably renounced citizenship in 2020, an all-time high which only fell

in 2021 as the Covid pandemic shut down embassy operations.

The double taxation system, annual filing and the reluctance of banks to take them on as clients are often cited as reasons.

In France, hundreds of Americans have inquired about renunciation, US officials told *The Connexion*.

The backlog currently stands at three to four months.

As well as paperwork, the process involves being interviewed and paying a \$2,350 fee – up from zero, then \$450 over several years. Applicants must have another nationality.

Among the Americans who have settled in France, many have no US-sourced income,

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More apply to lose US citizenship

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including so-called 'accidental Americans' – people who obtain citizenship from a parent or from being born in the US despite moving away soon after.

The term was popularised by the Association des Américains Accidentels (AAA), a French group founded by Fabien Lehagre. Born in the US, Mr Lehagre is considered an American taxpayer despite having no attachments to the US since moving to France when he was two.

He estimates that France has 40,000 'accidental Americans', with almost 300,000 in Europe, all affected by the 2010 Fatca act which was passed during the Obama Democrat administration.

The AAA has taken the US government to court in two separate cases over the relinquishment fee and the shutdown in processing requests during Covid, arguing both are unconstitutional. While it awaits a decision on the first case, it has appealed against a decision of the District Court of Columbia in Washington DC in the second.

Ronald Sokol, an American attorney who lives in Aix-en-Provence, said: "Unless you want to live or work in the US, there are no particular advantages to US citizenship if you have the nationality of a Western European country, only disadvantages."

Mr Sokol, who is a member of the bar in the US and France, provides clients with a 'Statement of Reasons for Expatriation', clarifying their reason for giving up citizenship.

The US's global tax policy is considered by many to be unfair on Americans living abroad, resulting in a financial burden because they must abide by two tax systems and could face huge penalties if they fail to comply.

One person whose France-based father relinquished US citizenship, and who prefers to remain anonymous due to professional ties with the US, said: "If my father had died an American citizen, all of his assets would have been captured by the US government and my mother would have needed to pay taxes to the IRS to claim the other half of the house." Donna-Lane Nelson, a

second-home owner in Argelès-sur-Mer (Pyrénées-Orientales), who is both Swiss and Canadian, said she had no choice but to relinquish her American citizenship.

"It was the only option if I wanted to have a normal financial life," she said.

Ms Nelson's story echoes a concern raised by overseas Americans who often have difficulty providing a required US social security number or find banks reluctant to take them as clients for fear of non-compliance with the US government.

US officials said the issue of some people not being able to open a bank account is not related to Fatca, saying "individual banks decide for themselves whom they accept".

They said that an invalid tax identification number is regarded as a minor or administrative error only, and they allow 120 days for banks to correct any incorrect information.

They then take another 18 months in collaboration with French tax authorities before any action is taken towards an American taxpayer.

However, it has not stopped Americans overseas calling for the repeal of Fatca. Keith Redmond, who lives in France, is another voice denouncing the burden of being an American living overseas. He founded the association Stop Extraterritorial American Taxation (SEAT).

SEAT showed that 76% of US citizens abroad said they consider often, sometimes, or from time to time renouncing citizenship, according to a survey carried out in 2020 on 1,564 people – of whom 279 were in France.

The three main reasons raised were the double taxation system (38%), US tax return filing being 'burdensome' (17%), and the denial of access to banking services (10%).

Americans who do not wish to be subjected to Fatca were included in an IRS document called the 'Name and Shame' list, as proven by a letter sent to the Mishcon de Reya law firm, which represents a client taking on UK tax authorities claiming Fatca's information-sharing breaches data protection rights.

"We call it the Freedom list," said Mr Redmond.