

Renunciation and/or Expatriation from the United States

General Information

Steps for US citizens who renounce/expatriate after 2008

1. Give up your citizenship or permanent residence - Many US citizens make an appointment at the nearest US Consulate¹, pay a fee (\$2350USD) and swear a declaration. Green Card Holders must surrender their card to USCIS, a US border port of entry² or a US Embassy³ using Form I-407.
2. Receive a Form DS-4083 - Certificate of Loss of Nationality⁴ (US Citizens)/I-407 - Record of Abandonment of Lawful Permanent Resident Status⁵ (Green Card Holders).
3. File a dual status exit income tax return for the year of expatriation. This consists of a Form 1040 statement for the part of the tax year up to the date of expatriation, a Form 1040NR return for the remainder of the tax year and **MUST** include a Form 8854 to establish expatriation for income tax purposes. Failure to file Form 8854 can leave you open to penalties.

Covered Expatriates and Exit Tax

'Covered' expatriates are subject to an "exit tax"⁶ on net unrealized gains of property 'deemed' to have been sold at FMV on the day prior to the expatriation date. Retirement accounts and non-grantor trusts are treated as if the present value was received as of the day prior to date of expatriation.

Covered Expatriate defined:

1. Average annual net income tax liability for the preceding 5 years exceeded \$162,000USD (2017)
2. Net worth was \$2 million or more on the date of expatriation
3. On Form 8854 you fail to certify compliance with all federal tax obligations for the 5 years preceding your date of expatriation

If the reason for renouncing citizenship is to avoid taxation in the US, a taxpayer is also considered 'covered'. The reason for renunciation should be other than to avoid taxation.

Helpful Links

- ✦ List of Expatriating Acts and other legal considerations <http://travel.state.gov/content/travel/en/legal-considerations/us-citizenship-laws-policies/citizenship-and-dual-nationality.html>
- ✦ Information about tax implications <https://www.irs.gov/Individuals/International-Taxpayers/Expatriation-Tax>
- ✦ Form 8854 instructions can be found at <https://www.irs.gov/pub/irs-pdf/f8854.pdf>

Contact AET today to discuss your needs and help ensure you are 5 years' tax compliant

¹<https://www.usembassy.gov/>

² <https://www.cbp.gov/contact/ports>

³ https://www.dahsing.com/en/pdf/common/form/cc_certificate_loss_of_nationality_us.pdf

⁴ <http://www.uscis.gov/i-407>

⁵ <https://www.law.cornell.edu/uscode/text/26/877A>