

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 (\$2,350USD - subject to reduction soon) 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 (applicable only to former US citizens and individuals who held a Green Card at least 8 years) 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 \$190,000 USD (2023)
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>