

American Expats Under Tax Siege

The Tax Consequences of Relinquishing U.S. Citizenship



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The Tax Consequences of Relinquishing U.S. Citizenship

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Introduction

The objective of this paper is to discuss why and how increasing numbers of Americans are surrendering their US citizenship. Most of them are middle-income earners who have ensconced themselves comfortably overseas. Many have no contact with the United States. Some were born abroad to an American and foreign parent. Others have simply lived outside the American nation most of their lives. Subjected by the United States government to citizen-based taxation, they are too often targeted by lawmakers for evading taxes. As a result, Congress enacts laws that saddle Americans abroad with onerous tax and information filing requirements.

Meanwhile, if Americans in other countries are wary of government intervention, Americans at home are frustrated that the quality of life has declined. After a half-century of inflation and government spending, economic inequality is on the rise. Unemployment at 9% remains stubbornly high. Health care is unaffordable for many. Medicare and other social programs are under siege. Tuition costs are increasing. And the United States is less competitive on the global market. Little wonder if Americans are frustrated by what they perceive to be an economic *laissez-faire* attitude in government, by corporate and financial greed and by continuing tax breaks for the wealthy. But these same interrelated disorders may be said to also impact on the National Debt, obliging Congress to target the 5.2 million Americans living abroad for more tax revenues.

Inflation in America

Most baby-boomers will remember the low costs of basic goods and services in the 1950s and 1960s. Gasoline sold for as little as \$.21 a gallon. A 3-bedroom house could be rented for \$60 a month, or purchased for \$13,000. A week's groceries for a family of 4 cost \$25 on average. A meal out at a family restaurant could cost less than \$2 each. And a ticket to see a double feature at the local movie theater cost as little as 25 cents. In 1960 the average annual income for the family was \$6,180. The National Debt was \$286.3 billion.

As the decade got underway, my grandfather, then an executive vice-president of a large Texas city bank, warned that the most pernicious crisis facing America was inflation. A man of integrity at a time when business could still on occasion be conducted with a handshake, he would have correctly perceived rising prices as portending an economic system increasingly difficult to manage.

How can inflation be difficult to manage? Prices of goods and services become increasingly unaffordable. Workers demanding and receiving wage increases are pushed into higher tax brackets. The purchasing power of earnings from investments and pensions is diminished. Uncertainty of future price stability discourages investing and savings. Currency exchange rates are destabilized. Exports become more expensive and less desirable overseas. Companies shift

List of International Tax Forms

<http://hodgen.com/list-of-international-tax-forms/>

How to Venture Offshore without Getting into Trouble with IRS – Vernon Jacobs

<http://www.offshorepress.com/>

American Citizens Abroad – The Voice of Americans Overseas

<http://www.aca.ch/joomla/index.php>

Escape from America Magazine – Your Key to International Living

<http://www.escapeartist.com/>

U.S. Bureau of Consular Affairs

<http://www.travel.state.gov>

International Living

<http://www.internationalliving.com>

About the Writer

Barron Harper is a US International Tax Consultant and Preparer who works mainly with Americans offshore. His work requires a comprehensive understanding of how the Internal Revenue Service both taxes and treats American citizens residing abroad. Having prepared tax and information returns for 18 years, Barron is considered to be experienced, competent and reliable in this highly complex area of International Taxation.

He is a graduate of North Texas State University (University of North Texas) from where he earned his MS in Accounting in 1985, specializing in Taxation. During and after his education, he worked in public accounting in Dallas, Texas and in Santa Fe, New Mexico, before arriving in Europe in 1992.

He has also worked part time as a Professor of Accounting as well as written many articles on tax issues. In recent years, he was awarded the International Quality Crown Award (2003) as well as membership in the Who's Who Historical Society (2002 – 2003). He was also inducted into the 2003 Edition of the International WHO'S WHO of Professionals. He is a member of the National Association of Tax Professionals as well as the European Bahá'í Business Forum.

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