

# THE WALL STREET JOURNAL.

ASIA EDITION

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VOL. XXXVIII NO. 55

(India facsimile Vol. 5 No. 115)

DOW JONES

News Corp.

FRIDAY - SUNDAY, NOVEMBER 15 - 17, 2013

WSJ.com

6 | Friday - Sunday, November 15 - 17, 2013

THE WALL STREET JOURNAL.

## WORLD NEWS

# More Taxpayers Are Abandoning U.S.

By LAURA SAUNDERS  
AND JASON CHOW

Nathaniel Mui was born in Hawaii, and though his parents moved the family to Hong Kong before his first birthday in 1983, he's a U.S. citizen automatically by virtue of his birth. But as he has no plans of ever returning there, the 29-year-old dentist has decided to renounce his citizenship.

"I don't see any reason for keeping it," he said.

Mr. Mui is contributing to a trend: This year will set a record for expatriations by U.S. taxpayers.

On Wednesday, the U.S. Treasury Department published the names of 560 U.S. citizens—including Mr. Mui—who renounced their citizenship, and long-term residents who turned in their green cards, during the third quarter of 2013. That brings the total for the year to 2,369, according to Andrew Mitchel, a tax lawyer in Centerbrook, Conn., who tracks the data.

That's already 33% more than the highest number for any prior year in full—1,781 in 2011, said Mr. Mitchel. The list doesn't include those who turned in their green cards but hadn't held the card in eight of the previous 15 years, meaning they lacked "long-term" status.

Though the third-quarter list isn't as long as the second quarter's, which had 1,130 names, said Mr. Mitchel, delays in reporting might mean that people whose names appear on the latest list had renounced much earlier. "The government doesn't disclose its process for collecting and reporting the data," he said.

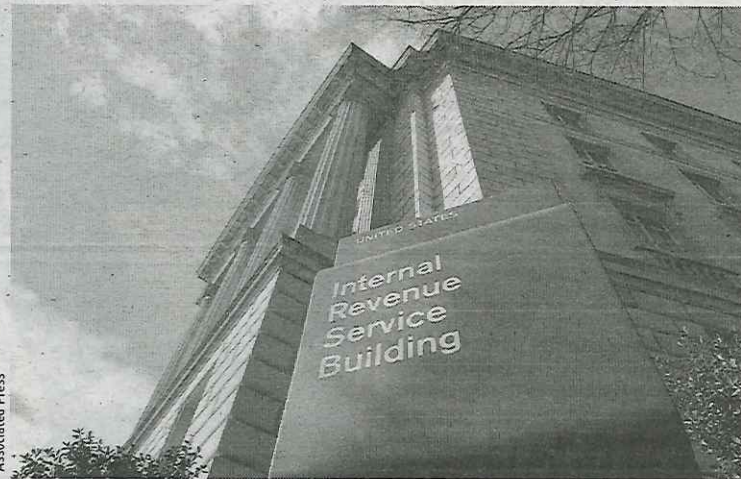
The Internal Revenue Service had no comment.

Taxpayers who renounce their citizenship or turn in their green card can be subject to an exit tax. People who renounced last year might have avoided higher taxes on income and estates—including those on long-term capital gains—that took effect in 2013.

Taxpayers who expatriate aren't required to give a reason, but experts said the overall increase is likely due to tougher enforcement of U.S. laws.

"The reality is that the U.S. tax system gives dual citizens a good reason to walk away from their U.S. citizenship or permanent-resident status," said Jeffrey Neiman, a former federal prosecutor now in private practice in Ft. Lauderdale, Fla. "It's a painful process but easier than staying in compliance with the law."

The U.S. is highly unusual in that



Associated Press

The yearly total of renunciations and green cards turned in will be a record.

all income earned by citizens and permanent residents, even those who live abroad, can be subject to U.S. tax. The U.S. also confers citizenship on people born on American soil.

Taxpayer penalties for failing to report assets can be severe, including up to 50% of an account balance per year.

Jay Krause, head of wealth planning in Asia at law firm Withers, said that his firm has seen "significantly increased interest in expatri-

ations, primarily from Asian families as many people were previously unaware of the extraordinarily broad scope" of the new tax rules.

Eugene Chow, an immigration lawyer at Chow King & Associates in Hong Kong, said the new reporting rules are "so burdensome that people are saying, 'I'm not going to pay an accountant to do this.' For my clients, it's not the taxes, it's the burden of reporting."

Still, Mr. Chow noted, for every renunciation there are many more

who wish to emigrate to the U.S. He pointed to the EB-5 investor-immigration visa, available to those who put \$500,000 in a preapproved investment that produces a qualifying number of U.S. jobs. Last year, more than 6,000 people applied.

"You still have people breaking down the doors to go to the U.S.," he said.

Although many of the U.S. laws on offshore accounts have been in place for decades, experts say there was little enforcement until 2009, when Swiss banking giant UBS AG admitted that it had helped U.S. taxpayers hide assets abroad. The bank paid \$780 million to avoid criminal charges and turned over the names of more than 4,000 account holders, piercing the veil of Swiss bank secrecy.

Since then, more than 38,000 U.S. taxpayers have confessed to having undisclosed offshore accounts and paid more than \$6 billion in back taxes, interest and penalties, with an estimated \$5 billion yet to come.

Back in Hong Kong, Mr. Mui said he filed his taxes every year and that the strict rules didn't factor in his decision. But he does sympathize with those giving up citizenship to escape the tax regulations.

"It can get complicated," he said.