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Due to Increased Regulations, Millions of Americans Abroad Forced to Reconsider U.S. Citizenship

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The Foreign Account Tax Compliance Act, or Fatca, is forcing millions of Americans living abroad to reconsider their U.S. citizenship, a lawyer, Colleen Graffy, writes in the [Wall Street Journal](#).

"The legislation is Fatca, the Foreign Account Tax Compliance Act. To appreciate its breathtaking scope along with America's unique "citizen-based" tax practices, imagine this: You were born in California, moved to New York for education or work, fell in love, married and had children. Even though you have faithfully paid taxes in New York and haven't lived in California for 25 years, suppose California law required that you also file your taxes there because you were born there. Though you may never have held a bank account in California, you must report all of your financial holdings to the State of California. Are you a signatory on your spouse's account? Then you must declare his bank accounts too. Your children, now adults, have never been west of the Mississippi but they too must file their taxes in both California and New York and report any bank accounts they or their spouses may have because they are considered Californians by virtue of one parent's birthplace," Graffy explains.

"Extrapolate that example to the six million U.S. citizens living around the globe. Many, if not most, don't know about these requirements. Yet they face fines, penalties and interest for not complying—even if they owe no U.S. taxes, own no U.S. property, have no U.S. bank account and haven't lived there in years—if ever.

"A particularly alarming aspect of Fatca is that it seeks to co-opt foreign banks as long-arm enforcement agencies of the Internal Revenue Service—even when it might contravene that country's own privacy or data-protection laws. If financial institutions don't report U.S. citizens holding accounts with them, these institutions face a 30% withholding tax on securities transactions that originate in the U.S."

Graffy argues that because of the difficulty in following this law -- it's easier and more attractive for Americans abroad to simply renounce their U.S. citizenship. "Given this threat, why allow an American, or even suspected American, to bank with you? The reporting costs, and the consequences of a mistake, are too onerous."

And sometimes those Americans perhaps feel that they don't have much of a choice. "Foreign financial institutions trying to avoid these new requirements have two alternatives: to drop American clients, or don't invest in the U.S. Neither scenario benefits America."

Graffy herself lives in London.

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