

Top Four Questions People Ask When Looking To Renounce Their US Citizenship



Renouncing your US citizenship or terminating your Green Card is a significant decision for you and your family. Our team of experienced US lawyers has unparalleled experience in guiding clients through this process successfully. We have handled more than 6,000 renunciations and Green Card terminations – more than any other firm in the world – and we have worked with US expats living in dozens of countries spread across six continents. In the course of our work, we have found that many clients have similar concerns about what will happen when they terminate their US status. Below, we address the four most frequently asked questions we hear from those considering renunciation.

1. Can I Continue to Receive My Social Security Benefits?

In most cases, yes. Once you have paid Social Security tax for the required 40 quarters, you have a vested right to your benefits even if you leave the United States and renounce your US status. The Social Security Administration can send payments to you almost anywhere in the world, with a few exceptions such as Cuba and North Korea. The specific requirements for receiving benefits abroad depend on your country of residence, whether you are a citizen of that country, whether you claim benefits directly or as a dependant, how long you lived in the US, and various other facts and circumstances. Even if you have not worked in the United States long enough to qualify for Social Security, you may be able to claim credit for foreign work history under one of the Social Security agreements the United States has signed with Canada, Australia, the UK, and 27 other countries. We can help you navigate this complex area and ensure that you continue to get every dollar of benefits that you have earned even after you renounce properly.

2. Will I Be Hit With an Exit Tax if I Renounce?

Exit tax is a US federal tax assessed on a “deemed sale” of everything you own when you cut ties with the United States the wrong way. You may trigger the exit tax if your net worth or past tax liability exceed certain thresholds, or if you fail to correctly certify that you are fully compliant with your US tax requirements. Although the exit tax seems intimidating and unintuitive to many expatriates, it can almost always be avoided or reduced to zero if you renounce the right way with proper planning. We can ensure that you get tax compliant even if you have not been filing US tax returns for years, and we can help you rearrange your assets to adjust your net worth in a way that will be recognized by the IRS. We have extensive experience structuring renunciations and Green Card terminations to avoid the exit tax, and most

of our clients do not pay a dime to Uncle Sam.

With that said, the US exit tax regime contains numerous traps for the unwary. Investments that usually enjoy preferential tax treatment, such as IRAs and 401(k)s, can be taxed at up to 37%, and some assets could be subject to double taxation because foreign authorities may not give tax credits for a deemed sale. Proper planning will enable you to avoid these unnecessary expenses. It is therefore crucial to understand the exit tax and terminate your US status correctly.

3. Can I Travel to the US After Renouncing Without Harassment from Customs Officials?

Yes, if you renounce correctly. After terminating your US status, you will retain the same ability to enter the United States as any noncitizen who holds your fallback passport. Renouncing your citizenship or terminating your Green Card the right way will not subject you to any unfavorable treatment at the border. In fact, correct renunciation will simplify your tax compliance and reduce your risk of inadvertently running afoul of the IRS.

However, it is crucial to renounce properly. Renunciation is heavily scrutinized by the US government, and you could be permanently banned from the US under the Reed Amendment if the Attorney General determines that you renounced to avoid taxes. You will be required to appear in person at a US consulate, pass through comprehensive security, and speak under oath – often through a sheet of bulletproof glass – with the Vice Consul, who will question you about your reasons for renouncing. The consulate will then send a detailed report to the US Attorney General, who will review your case for evidence of duress, mental incapacity, or tax avoidance motive. If the Attorney General finds that you renounced to avoid taxes, you will be banned from the US for life.

Our firm will thoroughly prepare you for your consulate interview and ensure that you are ready to truthfully answer whatever questions you are asked in a way that will not suggest a tax-avoidance motive for renouncing. We have guided over 6,000 clients through this interview at dozens of different consulates without ever having a client banned from the US.

4. Can I Become a US Citizen Again or Work There if a Job Opportunity Comes Along?

Yes. If you renounce correctly, you will have the same ability to live and work in the United States as any other noncitizen who holds the same fallback passport as you – no better, no worse. The fact that you have renounced will not prevent you from subsequently obtaining a visa, Green Card, or even naturalization as a US citizen again. Many of our clients continue to visit the US frequently, both for personal and professional reasons, after they renounce their citizenship. Terminating your US status is an important decision that you should carefully consider, but it does not require you to sever your relationship with the United States forever.

Conclusion

Renouncing your US citizenship or terminating your Green Card can be a complex and intimidating process, but you can avoid most of the potential drawbacks if you do it the right way. Proper renunciation can relieve you of onerous US tax obligations without requiring you to cut ties with the US entirely. Our team of experienced US tax attorneys and accountants helps between 800 and 1,200 people terminate their US status correctly every year.

If you or a family member is a US citizen or Green Card holder considering renunciation, we invite you to visit our [dedicated webpage](#) for more information. This page contains links to register for our upcoming renunciation webinars. You can find one tailored to your geographic location in our events listings.

These webinars thoroughly review everything you need to know about the US citizenship renunciation process and available options should you decide to take the next steps.

Moodys Tax Law is only about tax. It is not an add-on service, it is our singular focus. Our Canadian and US lawyers and Chartered Accountants work together to develop effective tax strategies that get results, for individuals and corporate clients with interests in Canada, the US or both. Our strengths lie in Canadian and US cross-border tax advisory services, estateplanning, and tax litigation/dispute resolution. We identify areas of risk and opportunity, and create plans that yield the right balance of protection, optimization and compliance for each of our clients' special circumstances.

The content of this article is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances.

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