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There's A Law That Takes Away Money If You Leave U.S. Citizenship?

By [Terry Savage](#) (06/30/08)

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A lot of people probably can't understand why someone would voluntarily give up American citizenship -- but if someone wanted to do that, they'd now incur financial penalties for it.

Congress just passed a new law that will stop your capital -- or at least a good portion of it -- at the border, should you decide not to be a U.S. citizen anymore. Is it, perhaps, in preparation for the possibility that Americans might rebel at the debt and [taxes](#) incurred by their government by leaving for lower-tax locales?

You probably didn't notice this little provision inserted into the Heroes Act of 2008, passed by Congress on June 17. The headlines in the press release about the law were about the increased [benefits](#) for veterans and families of deceased military.

But Richard Kohan of Price WaterhouseCoopers drew my attention to one section of the act, which states that anyone voluntarily giving up his or her citizenship will be taxed on all of his assets as if he or she had sold them - - paying capital gains on assets that have increased in value, even though they have not been sold.

That's right. While everyone in the media is focused on keeping aliens out of America, Congress has voted to lock its citizens - or at least a good portion of their assets -- into America! Maybe they're thinking that patriotism won't be enough to keep the smart money from recognizing the coming increases in the [tax](#) burden.

Patriotism and Debt

We expect our elected leaders to be patriotic, to wear flap pins on their lapels? But how patriotic is it for our elected officials of both parties to drag our country into debt?

This year the Federal budget deficit will be a record \$400 billion. That astonishing number will be added to our existing \$9 trillion national debt. It's money that our government spends in excess of what it collects in taxes.

[For an instant update on our National Debt go to the moving numbers at www.Truthin2008.org -- a nonpartisan watchdog group on the national debt.]

Government officials say they're shocked at the record number of American consumers who are filing for bankruptcy. Yet those same politicians are spending America into an effective bankruptcy -- building a burden of current debt and promises of future debt that can never be repaid. Now, how patriotic is that?

Patriotism and Taxes

Do you consider it your patriotic duty to pay your taxes? Do you feel unpatriotic because you spend some time trying to figure out how to reduce your tax burden, by maximizing deductions whenever possible?

If that's not unpatriotic for you, is it unpatriotic for wealthy people, or corporations, to try to reduce their tax burden? Where do you draw the line? Perhaps it's most unpatriotic for our elected officials to construct a tax system that doles out benefits to special interest groups, pitting one group of Americans against another.

What's really unpatriotic, in my opinion, is trying to divide Americans through the politics of envy. Our country has moved forward because of our optimism and our belief that any American can build a better financial future. It has been our nature to honor those who have been successful, and seek to emulate them, not to destroy them because they have more assets or income.

Of course, that presupposes that the successful people accept their patriotic responsibility to give back to the society that made their success possible. And the facts show that Americans are the most charitable and generous people on the planet.

Think of Warren Buffett and [Bill Gates](#), literally giving away their fortunes to help humanity. Or think of the people who filled sandbags along the Mississippi this month to save the homes of strangers.

When a government encourages the best in its citizens, by its policies and its example, patriotic citizens rise to the occasion. And when a government burdens its citizens, it inspires dissent and departures.

The Beatles famously left Britain, and Bjorn Borg left Sweden, when their governments raised taxes to such high levels that even these national icons departed. Are American lawmakers preparing for that kind of scenario with this new law?

Now in America, you can love it, or leave it -- but you can't take it all with you. And that's the Savage Truth!



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Posted By **zilla** Jul 2 2:24 PM

[One more thing in the law that nobody is mentioning...if you have filed taxes for the previous 5 years you are EXEMPT. The law only applies to crim...](#)

One more thing in the law that nobody is mentioning...if you have filed taxes for the previous 5 years you are EXEMPT. The law only applies to criminals, not ordinary citizens. Congratulations to the media for adding another link to a very long chain of irresponsible and unethical reporting. This is nothing more than the closing of a tax loophole.

Posted By **zilla** Jul 2 1:30 PM

[Before anyone starts playing the blame game, please note that the bill was sponsored by a Democrat, Charles Rangel, and the 28 co-sponsors were all...](#)

Before anyone starts playing the blame game, please note that the bill was sponsored by a Democrat, Charles Rangel, and the 28 co-sponsors were all Democrats as well. 218 Democrats and 183 Republicans voted yes, 15 Dems and 15 Repubs voted no. Both the Executive and Legislative branches overwhelmingly supported this bill, Republicans and Democrats alike.

Posted By **housemouse** Jul 2 10:59 AM

[Absolutely freakin' amazing! Tall a president hahe current administration, whose only job the last 8 yrs has been to serve their "base", the rich ...](#)

Absolutely freakin' amazing! Tall a president hahe current administration, whose only job the last 8 yrs has been to serve their "base", the rich folk, have been awarding MASSIVE tax breaks to corporations who take US jobs to other countries where they can get labor for slave wages, when the opposite should be happening and any corporation which takes their jobs to other countries should have massive FINES imposed on them--or at least

have their cash accounts and properties seized! But that'll never happen. And now that the good jobs are gone, if we want to bail out of this sinking ship and go elsewhere, WE are the ones being penalized? Something is truly wrong with that! What ever happened to equal protection under the law? If it's good enough for a corporation, it should be good enough for a US citizen, to go move out of the US for any reason! But of course that's never the way things work! We're always at the short end of the stick, especially with an administration in office like this one.

Posted By **jerrycan** Jul 2 6:18 AM

[Thanks to loginwfp for posting the correct bill identification. According to this bill, as long as the ex-citizen has been filing his tax returns f...](#)

Thanks to loginwfp for posting the correct bill identification. According to this bill, as long as the ex-citizen has been filing his tax returns for the last five years, he is exempt from the expatriation tax if (A) the average annual net income tax (as defined in section 38(c)(1)) of such individual for the period of 5 taxable years ending before the date of the loss of United States citizenship is greater than \$124,000, (B) the net worth of the individual as of such date is \$2,000,000 or more, or (C) such individual fails to certify under penalty of perjury that he has met the requirements of this title for the 5 preceding taxable years or fails to submit such evidence of such compliance as the Secretary may require.

Posted By **expat** Jul 1 11:00 PM

[I do not agree with any laws like this, however it does not come as a surprise. If you do some checking there are laws on the books NOW, backed up...](#)

I do not agree with any laws like this, however it does not come as a surprise. If you do some checking there are laws on the books NOW, backed up with a 1994 immigration law that states 2 things. If a person gives up their US citizenship, the US government assumes tax avoidance. So they have the RIGHT to take 50% of your assets (now this is 50% of your assets that you have after you have already paid taxes on it!), ban you from ever entering the US again and tax you for another 10 years. Too many people leaving, latest numbers that I heard was between 250,000 - 300,000 every year. The people can go, but don't they want to keep your money!

Posted By **expat** Jul 1 11:00 PM

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Posted By **doktorwurm** Jul 1 9:17 PM

[I say this whole ordeal is insane. this entire fecking country is insane. People say, that because they protest idiocy, that they are being unpatri...](#)

I say this whole ordeal is insane. this entire fecking country is insane. People say, that because they protest idiocy, that they are being unpatriotic....that is quite possibly true - but more likely complete bullshit in itself. I do not consider myself patriotic. in fact, when the option presents itself...i actually am ashamed to admit that i am an american these days. and if these scumbags keep passing laws like this, its not long before the 'american dream' is nothing more than a nightmare. So, America. I say to you... FAIL

Posted By **dyuhas** Jul 1 5:31 PM

["But Richard Kohan of Price WaterhouseCoopers drew my attention to one section of the act, which states that anyone voluntarily giving up his or he..."](#)

"But Richard Kohan of Price WaterhouseCoopers drew my attention to one section of the act, which states that anyone voluntarily giving up his or her citizenship will be taxed on all of his assets as if he or she had sold them" Wrong. Title III - Revenue Provisions Section 301 - Sets forth additional rules for the tax treatment of high-income individuals who relinquish U.S. citizenship or residency to avoid U.S. taxation (expatriates).

Posted By **login1wfp** Jul 1 3:38 PM

[I registered only to lend a hand in understanding this report. The bill that this article refers to is actually H.R. 6081\(Heroes Earnings Assistan...](#)

I registered only to lend a hand in understanding this report. The bill that this article refers to is actually H.R. 6081(Heroes Earnings Assistance and Relief Tax Act of 2008). And yes, it is in there, you will get taxed on all your property (at fair market value) the day before your expatriation is made official.

Posted By **irpatriot** Jul 1 1:29 PM

[Hmmm. Looking at the full text of the bill at govtrack doesn't indicate any asset loss for giving up citizenship. Also, it appears that the bill ha...](#)

Hmmm. Looking at the full text of the bill at govtrack doesn't indicate any asset loss for giving up citizenship. Also, it appears that the bill hasn't been passed, but introduced. <http://www.govtrack.us/congress/bill.xpd?bill=h110-5930>

Posted By **irpatriot** Jul 1 12:56 PM

[Does that mean that if I leave U.S. citizenship, I also will give up most of my debt, also? I have no assets!](#)



Does that mean that if I leave U.S. citizenship, I also will give up most of my debt, also? I have no assets!


Posted By **mrb398** Jul 1 9:45 AM

[looking at this us citizen page, it seems that if what this article states is true, that immigrants coming in have more rights and privacy that Ame...](#)

looking at this us citizen page, it seems that if what this article states is true, that immigrants coming in have more rights and privacy that Americans looking to migrate out. http://www.crimcheck.com/immigration_status.htm

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