

More Israelis looks to give up US citizenship

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Ran Dagoni, Washington—29 Apr 10 17:27

Shmuel Sternfeld, an Israeli citizen with a Green Card, who is wanted by the US authorities on tax charges, ought to be the poster boy for a new trend, which once would have been hard to imagine: Israelis who want to revoke their US citizenship or Green Cards. For these people, these documents which are the key to an America of milk and honey and a house in the suburbs - the dream of countless Israelis - carry a heavy price: a too-close relationship with the IRS. The response of these Israeli-Americans to their new country, if they even still reside there is: thanks, but no thanks.

In retrospect, there is no doubt that Sternfeld, of Tel Aviv, regrets that he did not sever Uncle Sam's tight embrace in time. He is the first, and as now, the only, Israeli whom the US federal government has indicted in the UBS affair, but is not the first Israeli-American to get in trouble with the IRS.

Adv. Zion Levi at the Washington DC office of the [Womble Carlyle Sandridge & Rice](#) law firm told "Globes", "There are undoubtedly other Israelis like him. Our office handles some of cases." Levi is an Israeli who got his law degree in the US, after completing his military service with the IDF.

Levi added, "Tax brackets in the US are much lower than in Israel (although they may rise next year), but the US tax filing obligations are more draconian than those of Israel."

Levi said that the requirement to file tax returns, including details of bank accounts held outside the US, like all US laws, applies to every US citizen, even those who have lived outside the US for decades and have not visited it for many years. This is a burden that many Israelis, especially those who made money in American and returned to Israel cannot or will not deal with.

Adv. Adi Mantel, an expert in tax law at the [Ori Calif & Co.](#) law office of Tel Aviv, told "Globes" that there is the beginning of a movement by Israelis who want to forego their US citizenship in order to avoid paying US taxes and/or relieving themselves of reporting requirements.

"In general, in overall US terms, this is not a huge phenomenon," said Mantel. "We're talking about a few hundred citizens a year who want to return their passports. This number includes Israelis, some of whom come to our offices to examine the repercussions of foregoing US citizenship, because they don't want to bear the burdens incurred by this citizenship, including reporting about their deposits in foreign banks.

"I therefore estimate that tighter enforcement and collection by the IRS has created a trend among Israelis, as well as apparently among nationals of other countries, to forego their American citizenship."

Mantel said that many people whose life dream is to obtain a Green Card do not think much about the consequences.

The portrait of an Israeli prepared to return his US citizenship papers or Green Card, documents in which he almost certainly invested a great deal of energy, nerves, and money, suggests a person who is older, accumulated money during many years residence in the US, returned to Israel for a comfortable retirement, and has no interest in returning to the US except for brief visits to children who stayed behind. For these people, reporting about their bank accounts in Israel and possibly other countries as well is a costly burden. The reporting threshold about foreign bank accounts in Israel's tax code is \$400,000; the corresponding figure in the US tax code is \$10,000.

"The New York Times" cites a Federal Register report that says that 502 expatriates gave up their US citizenship or permanent residency status in the last quarter of 2009. "That is a tiny portion of the 5.2 million Americans estimated by the State Department to be living abroad.

Still, 502 was the largest quarterly figure in years, more than twice the total for all of 2008, and it looms larger, given how agonizing the decision can be. There were 235 renunciations in 2008 and 743 last year. Waiting periods to meet with consular officers to formalize renunciations have grown."

Geneva-based American Citizens Abroad director Jackie Bugnion told "The New York Times", "What we have seen is a substantial change in mentality among the overseas community in the past two years. Before, no one would dare mention to other Americans that they were even thinking of renouncing their US nationality. Now, it is an openly discussed issue."

According to the "The New York Times", anecdotally, frustrations over tax and banking questions, not political considerations, appear to be the main drivers of the surge.

"Globes": Did all the stories about the UBS affair scare US taxpayers, including Israelis?

Levi: "Absolutely. I'm getting calls not only from individual taxpayers, but also from accountants who want to verify that their advice to clients complies with provisions of US laws concerning foreign bank accounts."

US citizens who have returned to their countries of origin, such as Israel, and believe that they can dump these problems by a simple declaration renouncing their citizenship are likely to be disappointed. The US does not forego its taxpayers so easily. Mantel says, "Anyone who requests to give up their citizenship is considered as having sold all their assets at market price and must pay taxes on them. It is a process that can last for years."

Here is a good reason to forego giving up US citizenship, and continue to bear its costs: former US citizens who are believed to have given up the citizenship in order to evade taxes are liable to lose the right to visit the US altogether. They are liable to find themselves on the list of people denied visas, which not be pleasant for the grandchild waiting for them in Manhattan.

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