



**Comment Regarding Notice of Proposed Rulemaking
State Department Schedule of Fees for Consular Services-Administrative Processing
of Request for Certificate of Loss of Nationality (CLN) Fee / RIN (1400-AF61)**

Democrats Abroad is the single largest organization representing U.S. citizens living outside the country. In that role, we have never before publicly commented on the tragedy of loyal Americans feeling compelled to renounce their citizenship due to the uniquely burdensome tax system to which the U.S. subjects its citizens abroad. **But the volume of renunciations of U.S. citizenship has reached a point where it is no longer possible for Democrats Abroad to remain silent on the issue. Tinkering with the bureaucratic fees around renunciation without addressing the root cause of the problem is rearranging deckchairs on the Titanic.**

We are encouraged by the [State Department's recent acknowledgement](#) that the increase in citizenship renunciations is partially due to the challenges posed to Americans by the unintended consequences of the Foreign Account Tax Compliance Act (FATCA) - namely that many foreign banks simply refuse to serve Americans, rendering them unable to save for their future, pay bills, or receive salary payments. The mere recognition of this reality by an entity of the U.S. government is progress. But when it comes to the tax bureaucracy challenges faced by Americans abroad, FATCA is, if you'll forgive a second Titanic metaphor, just the tip of the iceberg (for more information, see the annex below).

To make matters worse, unlike our fellow citizens living stateside, there is little-to-no official support for Americans living abroad when filing their U.S. tax returns, which, it must be remembered, are vastly more complicated than those of Americans living in the U.S. At Democrats Abroad, we've seen for years how this system unfairly impacts working and middle class Americans living outside the country, and, yes, sadly, how it drives many to permanently cut ties with the U.S.

Some may consider renunciation a satisfactory solution. But the loss of American citizens due to badly-written tax laws - a uniquely American problem - is a tragedy. We encourage the State Department to liaise with Congress, Treasury, and the IRS to communicate the core tax issues driving increased renunciation and to urge other government agencies and Congress to address these discriminatory tax laws. **Rather than tinker with the fees levied to cover the bureaucratic costs of renunciation, State should work to fix the root problem in order to curb renunciation in the first place.**

We thank you for the opportunity to comment and provide recommendations, and we encourage you to read the detailed annex below.

Sincerely,

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Annex: Further Details

1. Renunciation as an Essential Service

While public discourse commonly frames Americans abroad, and particularly renunciants, in negative terms, we recognize that there are numerous reasons why renunciation may be necessary for individuals. The three most common cases we've seen include:

1. Individuals may live in countries that do not permit dual-citizenship, and they seek to secure long-term residence and voting rights in the country they now call home.
2. Individuals may be or feel unable to comply with the unique tax and reporting obligations imposed on overseas citizens. Facing discrimination *motivated by* citizenship-linked tax residency, burdensome reporting obligations, and the harshest civil penalties under United States law, many Americans abroad feel that while they love their country, they are in an unhealthy relationship that must regrettably end. We note that the IRS openly states that U.S. citizens are obligated to violate civil & criminal laws in their countries of residence.¹ At least one European government memo has advised companies & government offices that employment of U.S. citizens is considered “inadvisable” due to the extraterritorial laws applicable to citizens.²
3. Individuals with minimal ties to the United States, the so-called “Accidental Americans”, often do not identify as being American citizens given they have not lived in the United States and have little to no connection to the country. We note, however, that while some Accidental Irish or Italians go through great effort to have their citizenship recognized, only Accidental Americans have felt that their coincidental citizenship is so unwanted that litigation is necessary. We encourage reflection on why this is the case.

In all three cases, renunciation is not an act of disloyalty or trying to eke out an unfair tax advantage – it is generally an attempt to conduct a normal life or to be otherwise equal to other residents of the country in which they live. Barring changes to the U.S. tax code, renunciation is and will remain essential for these individuals.

2. The fee should be set lower than \$450

While we believe that although a \$450 fee is fairer than a \$2,350 fee, it is still unnecessarily high.

Prior to the Foreign Account Tax Compliance Act (FATCA) in 2010, renunciation was relatively uncommon and primarily motivated by naturalization in another country that doesn't permit dual nationality. No fees were charged for renunciation at the time.

¹ <https://www.irs.gov/pub/irs-pdf/i8938.pdf>: Page 11: “The fact that a foreign jurisdiction would impose a civil or criminal penalty on you if you disclose the required information is not reasonable cause.”

² <https://www.ncsc.nl/documenten/publicaties/2022/augustus/16/cloud-act-memo>: Page 2: “Furthermore, it is advisable not to employ US nationals who have access to relevant data.”

In 2010, the fee for renunciation was set at \$450. In 2014, seeing higher demand for renunciation services, the fee was increased again to \$2,350.

Other potential fee levels to consider and rationale:

\$63.25	<p>Per the State Department's filing with the Office of Management and Budget (OMB)³, it expects to process 4,850 renunciations annually at a total cost of \$306,762.50, or \$63.25 per renunciation.</p> <p>\$63.25 is the "at-cost" price for renunciation.</p>
\$100	<p>The government's most recent estimate of the cost of providing Consular Reports of Birth Abroad (CRBAs) is estimated at \$50.68, \$3,732,429.96 spread over 73,647 annual applications.⁴ The State Department currently charges \$100.</p> <p>The cost of renouncing or relinquishing citizenship should not exceed the cost of claiming it.</p>
\$235	<p>The total cost of obtaining a CRBA plus a United States passport is \$235. The State Department reports that production of a passport costs roughly \$80⁵, approximately \$50 below the fee charged to citizens.</p>
\$450	<p>This price appears to have been selected on account of this having been the historical fee from 2010 rather than being reflective of the cost of service or other comparable essential services.</p>

Other essential services provided by the State Department are priced at roughly \$50 above their OMB cost estimate. We believe that the \$450 fee, priced at \$386 above its cost estimate, is unjustifiably high. Given the heavy personal price being paid by renunciants, this is especially painful.

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<https://www.reginfo.gov/public/do/DownloadDocument?objectID%3D135818200&sa=D&source=docs&ust=1698192379137519&usg=AOvVaw2Zx4IZifStexGdfNtDgY6o> (download)

⁴ <https://www.reginfo.gov/public/do/DownloadDocument?objectID=135818200>

⁵ <https://www.federalregister.gov/documents/2021/03/26/2021-06263/schedule-of-fees-for-consular-services-passport-security-surcharge>

3. The United States has a uniquely high cost of renouncing citizenship

The cost of renouncing U.S. citizenship, before and after this proposed fee reduction, remains substantially higher than other comparable countries. Particularly, given statements to OMB about the cost of providing this service, we believe that \$450 remains unjustifiably high.

Country	Fee (USD Equivalent)	Current \$2,350 Fee	Proposed \$450 Fee
Australia ⁶	\$185	1,270% higher	243% higher
Canada ⁷	\$73	3,219% higher	616% higher
Italy ⁸	\$265	887% higher	170% higher
Netherlands ⁹	\$0	N/A	N/A
New Zealand ¹⁰	\$238	987% higher	189% higher
Japan ¹¹	\$0	N/A	N/A
China ¹²	\$73	3,219% higher	616% higher
United Kingdom ¹³	\$458	513% higher	1.7% lower
Sweden ¹⁴	\$0	N/A	N/A

The United States has one of the highest renunciation rates in the world, despite the immense personal and financial costs.

⁶ <https://immi.homeaffairs.gov.au/form-listing/forms/1298i.pdf>

⁷ <https://www.cic.gc.ca/english/information/fees/fees.asp>

⁸ https://consiladelfia.esteri.it/wp-content/uploads/2023/05/istruzioni_rinuncia-cittadinanza.pdf

⁹ <https://www.amsterdam.nl/veelgevraagd/afstand-doen-van-de-nederlandse-nationaliteit-631fa#>

¹⁰

<https://www.govt.nz/browse/passports-citizenship-and-identity/nz-citizenship/changing-your-citizenship-status/give-up-your-nz-citizenship/#:~:text=It%20costs>

¹¹ https://www.la.us.emb-japan.go.jp/itpr_en/m02_04_06.htm

¹² <https://www.immd.gov.hk/pdforms/id924ae.pdf>

¹³ <https://www.gov.uk/government/publications/fees-for-citizenship-applications/fees-for-citizenship-applications-and-the-right-of-abode-from-6-april-2018>

¹⁴

<https://www.migrationsverket.se/English/Private-individuals/Becoming-a-Swedish-citizen/Losing-or-retaining-citizenship/Released-from-Swedish-citizenship.html>

4. The government lacks an accurate explanation of why people renounce

As mentioned before, the United States has an increasing rate of renunciation, which is anecdotally linked to the introduction of FATCA and other extraterritorial obligations¹⁵. We note that in 1996, the Reed Amendment was enacted, barring entry of former United States citizens whose renunciation was deemed to have been for “the purpose of avoiding taxation”. While this has not been broadly enforced, renunciants are aware of this, and they often experience a chilling effect that causes them to cite secondary or alternative reasons for renouncing.

Democrats Abroad has seen letters from banks informing account-holders that because of FATCA and other US tax-related obligations, accounts are closed unless the account holder can affirm that they are in the process of renouncing citizenship; they are instructed to renounce in order to maintain or access essential financial services in the country they live in.

In summary, tax residency based on citizenship is the recurring reason for increases in renunciation of citizenship. Research published on the IRS website¹⁶ supports this finding, noting that citizens renouncing often in the end have no tax liability. However, the costs of compliance and fears of violating the US tax code lead to renunciation.

5. Improve State Department U.S. Citizen Services to reduce administrative burden

Improving U.S. Citizen Services at embassies and consulates will help reduce the administrative burden placed on the State Department for the costs to administer renunciations. Additionally:

- Reopen the Tax Attachés. There were 15 open around the world up to 2015 when funding was pulled. Since then, there has been no way for Americans abroad to get free face-to-face assistance to file their U.S. tax return.
- Explore ways to partner with the IRS to make tax information available through State platforms and to provide tax customer service at U.S. embassies and consulates.¹⁷
- Add a business card-sized reminder to file U.S. taxes to passport renewals, similar to how some embassies include a business card-sized reminder to vote in U.S. elections.
- Ensure all embassy and consulate websites provide a list of local tax preparers and link to information on the IRS website about U.S. tax filing obligations for Americans abroad.
- Ask the IRS to provide Volunteer Income Tax Assistance (VITA), Tax Counseling for the Elderly (TCE), and Low Income Taxpayer Clinic (LITC) services abroad, which offer free tax prep or legal representation for low-income or retirees.

¹⁵<https://www.federalregister.gov/documents/2023/10/02/2023-21559/schedule-of-fees-for-consular-services-administrative-processing-of-request-for-certification-of-loss>

¹⁶<https://www.irs.gov/pub/irs-utl/21rpcitizenshipandtaxes.pdf>

¹⁷ As recommended by the National Taxpayer Advocate and accepted by the IRS in June 2023
<https://www.taxpayeradvocate.irs.gov/news/directory-entry/2022-msp-10-overseas-taxpayers/>