

## **1040 Abroad: Is now the time to give up your US citizenship?**



**Toronto, Ontario May 11, 2022 ([IssueWire.com](https://www.issuewire.com))** - By way of background, those who are covered expatriates when renouncing US citizenship are subject to an exit tax – a deemed disposition of all of your assets, with potentially taxes to pay on that phantom capital gain.

### What is happening right now?

Apple (APPL) stock has lost 16% of its value since January 1, 2022

Microsoft (MSFT) stock has lost 21% of its value since January 1, 2022

Alphabet (GOOG) stock has lost 22% of its value since January 1, 2022

Amazon (AMZN) stock has lost 36% of its value since January 1, 2022

Tesla (TSLA) stock has lost 33% of its value since January 1, 2022

Meta (FB) stock has lost 41% of its value since January 1, 2022

TSMC (TSM) stock has lost 31% of its value since January 1, 2022

NVIDIA (NVDA) stock has lost 42% of its value since January 1, 2022

While those are rather depressing numbers, they offer an opportunity to some to renounce while avoiding covered expatriate status.

With the stock market flirting with new lows, and the net wealth of shareholders would likewise meet depressing levels, it just might be the right time to renounce. You might have just crossed the \$2 million dollar mark which would allow you to renounce without being a covered expatriate.

Not only might you not be a covered expatriate. But even if you are a covered expatriate, these unrealized losses would reduce the amount of exit tax, if any.

US consulates still feel the lingering effect of the covid 19 pandemic. As such, in most cases, you would have a wait time of 6 months before being able to schedule an appointment.

Contact [1040 Abroad](https://www.issuewire.com/1040-Abroad) and we'll be able to advise you if those apply to your individual circumstances as well as guide you to a consulate with a wait time to get an appointment of less than a month.

### Who is a Covered Expatriate?

You are considered a covered expatriate and have to pay the related Exit Tax if you meet any of the

following criteria:

- You have too many assets: a net worth of \$2 million or more,
- You have too much income: an average net U.S. income tax liability of greater than \$162,000 for the five-year period prior to expatriation,
- You fail to certify that you have complied with all of the U.S. federal tax obligations for the preceding five years.

The exit tax that you, as a covered expatriate, would have to pay is calculated as if you have sold all of your assets at Fair Market Value on the day prior to your relinquishment, and the associated capital gains are subject to this tax. The Internal Revenue Code provides that the first \$699,000 of this capital gain will not be taxed. Expatriation is considered to be effective for tax purposes, even if you fail to file the Expatriation Information Statement (form 8854). The exceptions from the main rule are certain deferred compensation items, specified tax-deferred accounts, and non-grantor trusts.

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