

## When American Expats Don't Want Their Kids to Have U.S. Citizenship

By Chantal Panozzo  
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In 2011, a dual American-Australian citizen gave birth to her first child in Perth, Australia, where she lives with her Australian husband.

Jessica, who asked that her last name not be used, says she initially looked forward to getting her infant son an American passport. But after considering the implications of American citizenship, including the possibility of her son being drafted or taxed by a country where he may never live, she and her husband decided against applying for the moment.

“Ultimately it just seemed unfair to make the choice for him if there wasn't a clear, long-term benefit for American citizenship,” she said.

A person born abroad to a U.S. citizen parent or parents will acquire U.S. citizenship at birth provided the statutory requirements of the Immigration and Nationality Act for transmission of U.S. citizenship are met, and regardless of whether the person is ever documented as a U.S. citizen (by obtaining a Consular Report of Birth Abroad of a U.S. Citizen, a U.S. passport, and/or a Certificate of Citizenship). Practically speaking, however, in general “it is the process of being documented as a U.S. citizen that would result in official government recognition of the child's U.S. citizenship status,” according to Karen Christensen, Deputy Assistant Secretary for Overseas Citizens Services, in the Bureau of Consular Affairs at the Department of State.

That said, U.S. citizens born abroad are technically liable for taxes even if their parents don't register their birth with American authorities, according to Gregory Wald, principal at Squire Patton Boggs. But Uncle Sam is unlikely to chase these people down, he added. “The tax liabilities of such individuals are likely to be quite minimal. I would imagine that it is more expensive to monitor for these individuals than the potential income that the Treasury are likely to receive from them.”

And therein lies the dilemma for many American parents abroad—especially those married to someone of another nationality: Do they document their child's birth with American authorities, or not?

Some American parents are choosing not to. The reasons they cite are varied. Taxation frustration is one of them. The U.S. is one of the only nations in the world where tax is citizen-based instead of resident-based (China, in a new push to enforce tax law for citizens working abroad, is one of the others, along with Eritrea). Many Americans abroad—especially those without plans to return to America—worry that if their children acquire U.S.

citizenship and never set foot in America, they will still be required to report all earnings to the IRS and pay American taxes for their entire lives.

Pierce, who asked that his last name not be used, left the U.S. in 1992 and currently lives in the U.K. His children were born there and he and his Swedish-Swiss-Italian wife applied for their children to have British, Swedish, and Swiss citizenship. Missing from his children's pile of passports are American ones.

"I wish that it was not this way, but on balance, unless living and working in the U.S., being an American citizen is a burden not a benefit," he said in an email exchange. "This is exacerbated by the increasingly draconian annual reporting and filing requirements for Americans abroad."

Other Americans abroad registered their children as U.S. citizens only to question their decision later, especially after passage of the Foreign Account Tax Compliance Act, which requires U.S. residents and overseas residents to report certain foreign bank accounts or face penalties. Kristin Louise Duncombe, an American living in France who is married to an Argentinian-Italian citizen, said she registered her kids' U.S. citizenship without thinking twice.

"I wanted the kids to have U.S. nationality for emotional reasons. I mean how could they not be American if I am?" she said in an email. "That said, I am starting to wonder if it is not going to be a huge burden for them. So far my kids have never spent more than about three weeks per year in the U.S. and will not go to university there as we cannot afford it. But I am aware because of what I go through every year that as soon as they are independent adults they will be subjected to all this ridiculous taxation and tax reporting."

An American woman who didn't want to be named and who lives in Zurich with her dual Swiss-German husband, said the American friends she consulted advised her not to apply for a U.S. passport for her daughter unless there was a specific need. "My ancestors gave up everything to move to the U.S. in the late 1800s and here I am back in Europe and not giving my daughter the right to be a U.S. citizen, a right that others have risked their life or even died to have," she said. "Seems a bit strange but it just doesn't make sense for us in the moment."

Other Americans abroad apply for their children's U.S. citizenship without hesitation. Charles Schwalbe Garcia-Lago, an American-Spanish citizen who lives in Spain with his American wife, said, "I want my children to have access to both cultures and choose the one that suits them. That possibility outweighs the negatives of double taxation. They can always choose to give up their U.S. passport if they want."

Formally renouncing U.S. citizenship can be costly: the current fee is \$2,350 and must be paid to the Department of State's Consular Services. However, between the ages of 18 and 18½, individuals can renounce U.S. citizenship at no cost (if they also have not been U.S. residents for 10 taxable years before relinquishment) because they are not yet considered "covered expatriates."

There may be good news in store for a small number of "accidental Americans" such as children born abroad who are U.S. citizens by default. President Obama's new budget proposal, which was released Feb. 2, proposes providing relief for certain dual citizens,

including excluding them from the exit tax. (More on how the President's proposal relates to expatriates here.)

American Jeremy Jacobson's first child is due in April and he plans to apply for an American passport immediately after his birth. Mr. Jacobson is married to a Taiwanese citizen; they travel the world but are currently based in Taipei. "A U.S. passport is one of the best for travel flexibility," he says.

Kevin Smith, an American living in Japan who is married to a Japanese citizen, gave his children dual American-Japanese citizenship without hesitation. The couple wanted to ensure their children would have maximum freedom to move, live, and travel. It paid off in March 2011, when the family was forced to flee their home in Fukushima after the earthquake and spent the next three years living in the U.S.

"We are back in Japan now, comfortable in knowing that whether we decide to reside in Japan permanently or go back to the U.S., our children will be able to move freely," Mr. Smith said.

According to Kathleen, an American living in France who asked that her last name not be used, "It never occurred to me not to pass on my U.S. citizenship to my child," she said in an email. "If he decides not to ever live in the U.S., the issue of renouncing citizenship rather than be taxed by a country he never lived in, which offers no representation or benefits for those taxes, might come up."

*Chantal Panozzo (who also gave birth abroad) is the author of Swiss Life: 30 Things I Wish I'd Known. She recently moved back to the U.S. after living in Switzerland for almost a decade. Her daughter is 100% American.*