

## INTRODUCTION

In the Fall of 1999, then-Chairman of the House Ways and Means Committee, Representative William Archer, requested the staff of the Joint Committee on Taxation (the “Joint Committee”) to review the tax rules related to tax-motivated citizenship relinquishment and residency termination that were enacted as part of the Health Insurance Portability and Accountability Act of 1996, as well as related rules enacted in 1996 restricting visas for tax-motivated former citizens. In particular, Chairman Archer asked the Joint Committee staff to review whether those rules have been applied in the manner intended by the Congress and whether the rules have been effective in deterring tax-motivated citizenship relinquishment and residency termination. The Joint Committee staff also was asked to provide recommendations on ways to improve these rules.

The Joint Committee staff spent extensive time during 1999 and 2000 on its review of the present-law tax and immigration rules relating to citizenship relinquishment and residency termination. Chairman Archer retired in 2000 at the end of the 106<sup>th</sup> Congress. At that time, the Joint Committee staff had not completed its review. Due to more pressing work, the project was set aside. In 2002, Ranking Member of the House Ways and Means Committee, Representative Charles Rangel, and Representative James Moran, separately requested the Joint Committee staff to produce a report regarding these rules. The Joint Committee staff spent extensive time during 2002 and early 2003 updating and completing its review to reflect, among other things, changes in laws and administrative practices since 2000 that affected the present-law rules under review.

This review<sup>1</sup> includes several parts: Part I provides an executive summary of the Joint Committee staff’s review and recommendations. Part II discusses recent legislative activity with respect to phase-down and repeal of the estate tax and the implications of such changes for this review. Part III describes the methodology of the Joint Committee staff’s review. Part IV describes the relevant present-law tax rules, including the alternative tax regime applicable to certain former citizens and former residents. Part V describes the relevant present-law immigration rules, including the special immigration rules applicable to former citizens. Part VI describes the potential purposes of an alternative tax regime applicable to certain former citizens and former residents. Parts VII and VIII focus on the enforcement and effectiveness of the present-law tax rules relating to tax-motivated citizenship relinquishment and residency termination and the related immigration rules. Part IX provides a summary of other countries’ special tax regimes and estate, gift and inheritance regimes. Part X describes recent proposals that involve a different approach (known as a “mark to market,” or “exit tax” approach) from that of the present-law alternative tax regime. Part XI sets forth several Joint Committee staff recommendations to improve the present-law alternative tax regime and the related immigration rules.

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<sup>1</sup> This document may be cited as follows: Joint Committee on Taxation, *Review of the Present-Law Tax and Immigration Treatment of Relinquishment of Citizenship and Termination of Long-Term Residency*, (JCS-2-03), February 2003.