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The Honorable William V. Roth, Jr.
Chairman
The Honorable Bill Archer
Vice Chairman
Joint Committee on Taxation

Subject: Information Concerning Tax-Motivated Expatriation

In a December 7, 1999, letter to the Comptroller General, you asked us to assist the staff of the Joint Committee in its review of various issues related to tax-motivated expatriation, that is, leaving the United States and giving up U.S. citizenship or long-term residency status for the purpose of avoiding U.S. taxes. In that regard, you asked that we obtain information on the following areas: (1) the Internal Revenue Service (IRS) procedures relevant to the enforcement of tax-motivated expatriate rules related to income, estate, and gift taxes; (2) IRS' procedures for using the private letter ruling process; and (3) Immigration and Naturalization Service (INS) and Department of State procedures for preventing tax-motivated expatriates from reentering the United States.

To further assist us in focusing our efforts, your staff provided us with a detailed list of questions that related to these general areas and asked that we gather information to respond to the questions. During several subsequent meetings, your staff further clarified some of the questions and advised us to delete others. As agreed, the questions together with the relevant information that we obtained form the substance of this report and are included in the enclosure.

U.S. citizens or long-term permanent residents expatriating on or after February 6, 1995, are generally treated as being tax-motivated if they meet at least one of two financial criteria. The criteria are (1) an average net income tax liability for the prior 5 years greater than $100,000 and (2) a net worth of $500,000 or more on the date of expatriation.[1] Expatriates found to have a tax avoidance motive are subject to special rules for U.S. income, estate, and gift taxes for a period of 10 years after the date of their expatriation. In addition, former U.S. citizens found to have renounced their citizenship for the purpose of avoiding U.S. taxes are not to be allowed to reenter the United States.

[1]The criteria as defined in Internal Revenue Code section 877, Expatriation to Avoid Tax, are adjusted annually for inflation and, as of 1999, stood at $552,000 in net worth and $110,000 in average prior income tax liability.

In summary, IRS' enforcement of tax-motivated expatriate rules has focused on collecting and publishing data on recent expatriates, establishing a process for expatriates to request letter rulings—that is, an IRS determination that they are not tax-motivated expatriates—and maintaining a database of certain information concerning expatriates. IRS does not yet have a systematic compliance effort aimed at enforcing income, estate, or gift tax laws related to tax-motivated expatriation. According to IRS officials, expatriates are subject to IRS' normal enforcement programs for nonresident aliens. In December 1999, IRS initiated a project to assess compliance among expatriates who have self-reported information concerning their income tax liability and assets as required. The project is scheduled to conclude by July 2000.

IRS' private letter ruling process provides expatriates with the opportunity to overcome the treatment of being tax motivated under the law. Expatriates in certain categories described by statute can request a review of the facts and circumstances of their expatriation in order to avoid the tax consequences of being treated as a tax-motivated expatriate. As of December 15, 1999, IRS had issued 113 rulings concerning expatriation.

The State Department and INS have not implemented procedures to prevent former U.S. citizens who are tax-motivated expatriates from reentering the United States. According to INS officials, this inaction has resulted primarily from the lack of any existing mechanism for the Attorney General to obtain the taxpayer information from IRS necessary to carry out the programs. IRS and INS have now identified and agreed upon such a mechanism, and INS has recently drafted proposed regulations. These draft regulations have been reviewed by IRS and the Department of State and are currently under review by the INS Office of General Counsel, which is then to send them to the Department of Justice for review. According to INS officials, the proposed regulations will also be subject to public comment.

In performing our work, we reviewed tax and immigration laws and procedures relating to expatriates; interviewed officials from IRS, the State Department, and INS; and collected relevant information and other data relating to expatriation and expatriates.

In order to answer your questions relating to statistics and other types of data, we analyzed relevant information collected from two samples we drew from original source documents maintained by IRS. Details of the sampling methodology are described in the enclosure.

We conducted our work between December 1999 and March 2000, in accordance with generally accepted government auditing standards. We received oral comments on a draft of this report from IRS, the Department of State, and INS. Where appropriate, we made changes to this report on the basis of these comments.

As agreed, unless you publicly announce its contents sooner, we plan no further distribution of this report until 30 days after the date of this letter. At that time, we will send copies to the Commissioner of IRS, Commissioner of INS, and Secretary of State. We will also send copies to those who request them.

If you have any questions about this letter or the enclosure, you may contact me or Joseph E. Jozefczyk on (202) 512-9110. Wendy Ahmed, Robert Floren, Leon Green, Cheryl Peterson, MacDonald Phillips, and Liz Scullin made key contributions to this report.

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Tax-Motivated Expatriation: Enforcement of IRS and Immigration Act Provisions

GAO Responses to Questions Posed by the Joint Committee on Taxation

1. How many U.S. citizens have expatriated each year since 1991?

Year	Number[a]
1991	619
1992	556
1993	697
1994	858
1995-97[b]	1,903
1998	440
1999	433[c]

[a]Data for 1991-94 are from the State Department, based on the Certificates of Loss of Nationality (CLN) issued each year; data for 1995-99 are from IRS data on expatriates published in the Federal Register each year.

[b]Data for 1995-97 are not distinguished by year because IRS published the total number of expatriates for all 3 years in 1997 (the year after the requirement was enacted).

[c]According to the State Department, the decreased expatriation in the late 1990s may reflect an economic downturn in Asia as fewer people renounced their U.S. citizenship as a condition of employment in an Asian country.

2. What are IRS' procedures for obtaining information on expatriates?

- Certificates of Loss of Nationality and expatriate tax information statements for former U.S. citizens are collected by the State Department from its Foreign Service posts and are to be forwarded to IRS monthly.
- INS provides annually to IRS a computer disc identifying individuals who gave up their residency permits (green cards). However, IRS does not use the data to track expatriates because the data do not distinguish former long-term residents from other former green card holders and generally do not include tax identification numbers.

3a1. How many expatriates self-reported that they met the criteria for presumed tax motivation?

- Based on IRS' expatriate database, of the 1,158 expatriates who provided expatriate tax information statements indicating whether they met the tax-motivation criteria, 182 said they met one or both of the criteria.
- The 1,158 who provided expatriate tax information statements were among the 2,735 individuals who expatriated from 1995 through 1999 and whose names were published in the Federal Register from 1997 through March 2000.[1]

[1]The total of 2,735 takes into account IRS' publication in March 2000 of a corrected listing for the quarter ending in June 1998.

- For the 1,158 who provided expatriate tax information statements, 955 included a Social Security Number.

3a2. How many other expatriates met the criteria but did not self-report?

- IRS' expatriate database indicates that 1,577, or 57 percent, of the 2,735 expatriates listed in the Federal Register did not provide expatriate tax information statements when they expatriated.[2] As a result, IRS does not have their responses to the tax-motivation questions or their Social Security Numbers (SSN). IRS has generally been unable to determine whether these expatriates met the tax-motivation criteria (e.g., by ascertaining prior income tax liabilities) because of the difficulty matching tax records without knowing the taxpayer's SSN.
- In January 2000, IRS mailed notices to the expatriates who had not provided expatriate tax information statements. The effort is part of IRS' Compliance Improvement Project (CIP) for expatriates, started in December 1999. IRS officials said that, as of March 7, 2000, they had reviewed 229 of about 300 responses received. Less than 10 percent of the 229 respondents said they met at least one of the tax-motivation criteria.

3a3. How many of the above expatriates met each tax-motivation criterion?

IRS' expatriate database indicates that, of the 182 expatriates who self-reported that they met the tax-motivation criteria:

- 137 met the income tax liability criterion and
- 177 met the net worth criterion.

3b. How many expatriates were eligible to request rulings under each of the eligibility criteria of section 877(c)?[3]

Information is not available.

[2]Our review of IRS' paper files for a random sample of 200 former U.S. citizen expatriates we selected from the population of 2,735 expatriates listed in the Federal Register (including both those who self-reported that they met the tax motivation criteria and those who did not) yielded similar results, i.e., about 60 percent did not include expatriate tax information statements. However, our sample also found that expatriate tax information statements were generally included with CLNs processed after November 1996 (about 84 percent, +/- 8 percent). See response to question 35 for additional information.

[3]The eligibility criteria include (1) dual citizenship (e.g., citizenship at birth of the United States and another country), (2) long-term foreign residency, and (3) renunciation of citizenship upon reaching the age of majority.

3c. How many expatriates who self-reported meeting the tax-motivation criteria also submitted ruling requests?

Twenty-three persons filing an expatriate tax information statement at the time of their expatriation and self-reporting that they met at least one of the tax-motivation criteria also requested a private letter ruling.

3d1. Where have presumed tax-motivated expatriates relocated, i.e., what countries?

We reviewed a second sample of 242 expatriate tax information statements and found that former U.S. citizen expatriates reported 23 countries of citizenship and 23 countries of residence. We also estimate that 39 percent reported a country of residence different than their country of citizenship.[4] Given questions of disclosure of taxpayer information, we are unable to provide information on specific countries.

3d2. What countries have granted passports to each presumed tax-motivated expatriate?

Information is not available.

3d3. In what countries does each presumed tax-motivated expatriate maintain substantial connections?

IRS does not routinely request each expatriate to provide information about "substantial connections." Under IRS notice 98-34, modifying part IV of notice 97-19,[5] IRS requests information on the expatriates' "ties" to the United States and to the foreign countries where they are citizens and where they reside if they are requesting private letter rulings to avoid being treated as tax-motivated. These "ties" include such information as location of the individual's home, family and social relationships, occupations, political and cultural activities, business activities, and the locations where an individual administers property.

[4]This estimate is based on a sample of 242 former U.S. citizen expatriates, including 27 expatriates who had previously reported annual tax liabilities of at least $100,000 based on data collected by IRS as part of its expatriate CIP and 215 expatriates who were randomly selected from the remainder of the population of 1158 expatriates listed in the Federal Register and who had complete tax information statements. The 95 percent confidence interval around this estimate is 22 percent to 56 percent.

[5]IRS has issued two notices—97-19 and 98-34—to provide guidance for expatriates. Notice 97-19 describes certain federal income, estate, and gift tax consequences of expatriation and procedures for requesting a private letter ruling. Notice 98-34 modifies some of the procedures described in notice 97-19 for requesting a private letter ruling.

3e. What methods of expatriation were used?

According to State Department officials, U.S. citizens desiring to expatriate must sign an oath of renunciation or statement of intent at a U.S. Foreign Service post to receive a CLN. A statement of intent certifies that the expatriates intended to give up their U.S. citizenship when they committed certain expatriating acts, such as naturalization in a foreign country. For tax purposes, the date of the expatriating act, not the signing of the statement is considered the date of expatriation.

4. How much U.S. income tax was collected from expatriates before and after the 1996 amendments?

IRS has not tracked this information.

5. What are IRS' procedures for monitoring tax-motivated expatriates for 10 years after they expatriate?

IRS has no specific procedures in place for monitoring expatriates' tax compliance during the 10-year period.

5a. How many people is IRS monitoring under section 877?

None.

6. What are IRS' procedures for assessing and collecting income tax from tax-motivated expatriates?

No specific procedures exist to date.

7. How does IRS coordinate enforcement with other countries?

No specific procedures exist to date. IRS officials said that its information exchange programs with treaty partners potentially could be used to obtain information on expatriates. IRS also has mutual collection assistance agreements with five countries (Canada, France, Denmark, Sweden, and the Netherlands). However, these agreements are limited to assistance in collecting tax from U.S. citizens residing abroad and do not extend to expatriates.

8. What are IRS' procedures for enforcing the anti-abuse rules of section 877(d)?

No specific procedures exist to date.

8a. How many "gain recognition" agreements[6] have been filed by expatriates to avoid immediate gain recognition on an initial exchange of property?

According to IRS officials, none have been filed.

9. What are IRS' procedures for determining a tax-avoidance motive among expatriates who do not meet the financial criteria of section 877(a)(2)?

No specific procedures exist to date.

10. Of the expatriates IRS has identified as meeting the tax-motivation criteria, how many were U.S. citizens and how many long-term U.S. residents?

- IRS has not independently identified expatriates meeting the tax-motivation criteria. IRS' expatriate database identifies expatriates who self-reported meeting the criteria.
- Based on our analysis of IRS data, the 182 individuals identified in IRS' database as meeting the tax-motivation criteria included some former long-term residents who had requested IRS private letter rulings.[7]
- The 113 expatriates who had received IRS private letter rulings as of December 15, 1999 included 56 citizens and 57 former long-term permanent residents.

11. How much U.S. estate tax (including interest and penalties) was collected from nonresident aliens after 1990?

IRS has generally not tracked the amount of estate tax paid by nonresident aliens. However, according to a study by IRS' Statistics of Income Division,

[6]Gain recognition agreements are an option for expatriate taxpayers who would otherwise be required to immediately recognize income or gain from certain sources. In a gain recognition agreement, the expatriate agrees to recognize as U.S. source income any gain or income derived from the sources in the 10 years following expatriation.

[7]According to IRS officials, the expatriate database was meant to include only former U.S. citizens and any exceptions would be due to the inadvertent inclusion of some former long-term residents who requested IRS private letter rulings.

nonresident aliens reported net estate tax liability of $16.5 million in 1995 and $22.6 million in 1996.[5]

12. How many nonresident aliens paying U.S. estate tax were tax-motivated expatriates?

IRS has not tracked this information.

12a. How much estate tax has been paid by tax-motivated expatriates?

IRS has not tracked this information.

13. How much U.S. gift tax was collected from nonresident aliens after 1990?

IRS has not tracked this information.

14. How many tax-motivated expatriates have paid U.S. gift tax, and how much have they paid?

IRS has not tracked this information.

15. How many tax-motivated expatriates have paid generation-skipping tax?

IRS has not tracked this information.

16. What are IRS' procedures for identifying nonresident aliens who have made a lifetime gift of U.S.-situated property?

IRS has not tracked this information.

16a. Are there different procedures for nonresident aliens who have expatriated within the last 10 years?

No.

[5]Internal Revenue Service, Statistics of Income Bulletin (Winter 1997-1998).

17. How does IRS determine if an expatriate or other nonresident alien with U.S.-situated property has died?

IRS has no procedures for determining if a nonresident alien with U.S.-situated property has died. IRS generally does not receive any third-party information when an expatriate or other nonresident alien with U.S. estate tax obligations dies, although IRS receives some foreign estate tax returns as part of its information exchange with treaty partners.

18. How many tax returns have been received from the estates of expatriates?

IRS officials said that one expatriate estate tax return is currently being audited, but IRS has no data on the number of such returns identified or audited previously. According to the officials, any estate tax return self-identified as an expatriate's return is to be selected for audit.[9]

18a. How many of these returns were for expatriates who reported meeting the tax-motivation criteria?

IRS has not tracked this information.

18b. How many gift tax returns have been received from expatriates?

According to IRS officials, gift taxes are generally reviewed as part of estate tax audits. Some additional gift tax returns are selected for audit annually without regard to the taxpayer's expatriate status.

19. What are IRS' procedures for identifying tax-motivated expatriates who are subject to the old estate and gift tax rules for expatriates?

IRS has not tracked this information.

19a. How many tax-motivated expatriates have been subject to the old estate and gift tax rules for expatriates?

IRS has not tracked this information.

[9]Question 6b of the estate tax return for nonresident aliens (form 706NA) asks whether the decedents lost U.S. citizenship or residency within 10 years of their death.

20. How many estates have been subject to the estate tax rules for tax-motivated expatriates (including those whose estates include stock in a foreign corporation)?

IRS has not tracked this information.

20a. What is the total value of their interests in foreign corporations?

IRS has not tracked this information.

21. Of the tax-motivated expatriates identified by IRS as being subject to estate and gift taxes, how many were U.S. citizens and how many were long-term residents?

IRS has not tracked this information.

22. How many private letter rulings have been issued to expatriates under section 877, by year?

Year	Rulings
1997	17
1998	3
1999	93*

*During 1998, IRS revised its private letter ruling procedures for expatriates and deferred rulings until the revision was completed. Also, the 93 rulings in 1999 were as of December 15, 1999.

22a. How were these cases concluded?

As of December 15, 1999, 113 cases had been decided as follows:

- 22 favorable and 30 "fully submit" to citizens (see response to question 22b),
- 36 favorable and 21 "fully submit" to long-term residents, and
- 4 unfavorable (all to citizens).

22b. What were IRS' rationales for the rulings issued?

- According to IRS Chief Counsel officials, each ruling is based on the unique facts and circumstances of the case, including the factors noted in questions 25a.

- The officials said that the rationale for a "fully submit" ruling is that the evidence provided is inconclusive as to tax motivation. A "fully submit" ruling allows IRS to reassess tax motivation based on a subsequent audit of an individual's return, while favorable and unfavorable rulings are final determinations not subject to such reassessments.

23. How many expatriates requesting rulings were previously identified as tax-motivated by IRS?

IRS has relied on self-reporting and the ruling process to identify tax-motivated expatriates, although the recently initiated expatriate CIP may identify some who did not self-report. As discussed in question 3c, 23 persons who self-reported meeting the tax-motivation criteria also requested rulings.

23a. Explain cases where expatriates requesting rulings did not self-identify.

One explanation is that a few expatriates requested rulings in advance of their expatriation. IRS officials said that advance ruling requests have been relatively rare, although they have not tracked the exact number. However, we cannot explain other inconsistencies from our review of IRS files.

24. What are IRS' procedures for identifying and following up on expatriates who met the tax-motivation criteria but did not submit a ruling request?

No specific procedures exist to date. IRS' database of expatriate information only includes individuals who self-reported that they met the tax-motivation criteria and also indicates whether they have requested a ruling.

24a. What are IRS' procedures for following up on expatriates who received an unfavorable ruling?

No specific procedures exist to date.

24b. What are IRS' procedures for reconsidering an expatriate's tax motivation in later audits, where the expatriate previously received an IRS ruling, and how often has this occurred?

No specific procedures exist to date. Under notice 98-34, IRS can reconsider "fully submit" rulings in later audits of the taxpayer. However,

IRS has not done so to date and has had no special procedures for selecting such cases for audit. In any case, it may be too early for returns from "fully submit" recipients to have been audited because returns to be audited typically are not selected until about one year after returns are filed and "fully submit" rulings were not issued before November 1998.

25. What are IRS' procedures for reviewing section 877 ruling requests?

- IRS' Office of Chief Counsel said it first screens ruling requests to ensure that the expatriate is eligible to request a ruling under section 877(c)(2).
- A request from an eligible expatriate is assigned to an attorney with experience in the key issues applicable to the request (e.g., income taxes, estate taxes, or foreign corporations).
- The attorney's preliminary decision is reviewed by one of two attorney-managers and circulated to other managers in the Office of Associate Chief Counsel (International) and to the Office of Assistant Commissioner (International). Final ruling decisions are signed by one of the two attorney-managers.

25a. In these reviews, what criteria does IRS use to determine whether a tax-avoidance motive exists?

According to IRS Chief Counsel officials, there is no "bright line" test for determining whether someone expatriated with a tax motivation. Rulings are based on the unique facts and circumstances of each case, including

- U.S. and worldwide tax liabilities before and after expatriation;
- countries of residence and citizenship;
- nontax reasons cited for expatriation;
- amount of unrealized gain in assets removed from the United States and the tax result of the immediate disposition of such assets, should the taxpayer receive a favorable ruling, compared to the tax result if the taxpayer had not expatriated; and
- potential U.S. estate tax savings for expatriates who are 60 years of age or older.

26. What factors has IRS found to be most relevant in making rulings on whether expatriates were tax-motivated?

IRS officials said that all factors are considered, but a key factor is the expatriate's U.S. income tax liability in the years following expatriation,

should the taxpayer receive a favorable ruling, compared to the tax result if the taxpayer had not expatriated.

27. Have IRS' written procedures changed with the issuance of notice 98-34?

Yes. IRS added a category of ruling in which it expresses that the principal purpose of tax avoidance is not deemed to exist. IRS plans to retain the right to reassess motivation in a subsequent audit. IRS officials describe these as "fully submit" rulings.

27a. Have IRS' procedures changed in practice with the issuance of notice 98-34?

Yes, as of December 15, 1999, 51 "fully submit" rulings have been issued.

28. How many expatriates, of those whose names have been published in the Federal Register, have applied for U.S. visas?

According to State Department officials, data on visa applicants is not centralized and does not distinguish former U.S. citizens from other applicants. In particular, the data do not include Social Security Numbers or other means of positively identifying former U.S. citizens.

29. What are the INS and State Department procedures for granting each type of visa to nonresident aliens?

- U.S. consular officers stationed at 207 Foreign Service posts throughout the world are directly responsible for the issuance or refusal of visas. The two types of visa are the (1) immigrant visa, which is required when the applicant intends to become a permanent resident of the United States, and (2) nonimmigrant visa, which is required when the applicant intends to stay in the United States temporarily.
- According to State Department officials, consular officers are required to check for each visa applicant in an automated "Lookout" system to determine whether the applicant is known to be excludable from the United States under the Immigration and Nationality Act (e.g., known terrorists are restricted from obtaining a U.S. visa). Immigrant visas are also subject to certain overall and per-country numerical limits. The Lookout system currently does not identify individuals who expatriated with a tax motivation.

30. What are the INS and State Department procedures for enforcing the 1996 amendments to the Immigration and Nationality Act?

INS and the State Department currently have no procedures for denying visas to applicants who renounced their U.S. citizenship with a tax motivation, as provided in the amendments. The act requires the Attorney General to determine whether an individual's renunciation of U.S. citizenship was tax-motivated. However, according to INS officials, no mechanism exists for the Attorney General to obtain from IRS the taxpayer information necessary to make such determinations. IRS and INS have recently identified and agreed upon a possible mechanism—under proposed regulations currently in draft form–that the Attorney General might use to obtain taxpayer information from IRS.

31. What are the procedures for determining whether visa applicants are former U.S. citizens who renounced their U.S. citizenship with a tax motivation?

No procedures exist for identifying former U.S. citizens, including those who renounced their citizenship with a tax motivation. Under the Immigration and Nationality Act, INS is responsible for determining whether visa applicants renounced their U.S. citizenship with a tax motivation. INS has recently drafted proposed regulations in this regard, and according to INS officials, they have been reviewed by IRS and the Department of State. The proposed regulations are currently being reviewed by INS' Office of General Counsel before being sent to the Department of Justice for further review. The proposed regulations will also be subject to public comment.

31a. Who makes the decision on whether to issue a visa?

U.S. consular officers stationed at Foreign Service posts abroad approve or disapprove visa applications, although prior renunciation of U.S. citizenship is currently not a factor in these decisions.

31b. How many visa applicants have been denied a visa because they had renounced their U.S. citizenship?

None.

31c. How many of these were denied because they renounced their U.S. citizenship with a presumed tax motivation?

None.

32. Are the types and numbers of visas issued to former U.S. citizens monitored by the State Department?

No.

32a. If yes, how do they monitor such information?

Not applicable.

33. What are IRS' procedures for sharing information with the State Department and INS for the purpose of enforcing the 1996 amendments to the Immigration and Nationality Act?

IRS officials said that IRS has no procedures for sharing information on former U.S. citizens for the purpose of enforcing the 1996 amendments and that sharing tax information with other federal agencies generally violates the disclosure restrictions of section 6103 of the Internal Revenue Code, aside from specific exceptions noted in the law. However, as noted in response to questions 30 and 31, INS and IRS have recently identified a potential mechanism for the Attorney General to receive taxpayer information without violating the disclosure restrictions.

34. What are the State Department and INS procedures for sharing information with IRS for the purpose of enforcing the 1996 amendments to the Immigration and Nationality Act?

The State Department and INS currently have no procedures for sharing information with IRS for the purpose of enforcing the 1996 amendments. As noted previously in response to questions 30 and 31, INS and IRS recently identified a potential mechanism for the Attorney General to receive from IRS the taxpayer information necessary to enforce the act.

35. What are the IRS and State Department procedures for ensuring that the Form 8854, Expatriation Information Statement, is filed?

- The State Department's guidance to its consular posts, as of November 1996, calls for them to obtain tax information statements, as required in

Internal Revenue Code section 6039G, from any person who loses U.S. citizenship. The expatriate tax information statements are then to be forwarded with the Certificates of Loss of Nationality to the Internal Revenue Service. Based on our sample of 200 IRS CLN files, we estimate that 84 percent of those processed after November 1996 did include expatriate tax information statements (see question 3a2). The State Department's guidance also required posts to note in the CLN file when expatriates refused to provide statements. However, we found no such reports in the sample files we reviewed at IRS.

- Former long-term U.S. residents are required to file form 8854 by the due date of their income tax return for the year in which they gave up their U.S. residency.
- Also, IRS has not assessed the penalty for not filing an expatriation tax information statement.[10] IRS officials said that there are difficulties in assessing the penalty, such as the lack of a Social Security number or other definitive means of identifying the expatriate.

35a. How many expatriates have filed a form 8854?

- IRS data indicate that 1,158, or 42 percent, of the 2,735 expatriates published in the Federal Register filed an expatriate tax information statement indicating whether they met the tax-motivation criteria.
- Form 8854 did not exist before January 1999, and IRS has not tracked the number filed. The expatriate tax information statements we sampled were generally provided on State Department forms.

[10]In 1999, the penalty was the greater of $1,000 or 5 percent of the tax required to be paid under section 877 for the year.

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