

Even If You Don't Think of Yourself As an American, the IRS Might



All over the world, there are people who have no idea that they are Americans in the eyes of the U.S. Internal Revenue Service (IRS). While there are many advantages to being an American, having U.S. tax obligations is not one of them. Many people were born in a hospital in the U.S. and have never spent another day in the U.S. They are “U.S. persons” in the language of the IRS. Many people are dual citizens of the U.S. and another country. They are U.S. persons. Many people hold U.S. green cards but left the U.S. decades ago. They are U.S. persons. If you are a U.S. person, the IRS taxes your worldwide income, regardless of where you earned it. You must also report your non-U.S. financial accounts to the IRS. Here is how to determine if you are a U.S. person.

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1. A U.S. citizen, whether by birth or naturalization, is a U.S. person until he or she completes the process of formally renouncing his or her citizenship. He or she may also owe a large “expatriation” or exit tax upon renouncing his or her citizenship.
2. A green card holder or “Lawful Permanent Resident” is a U.S. person unless the person’s home country has a tax treaty with the U.S. and the person:
 - qualifies as a resident of his or her home country under the treaty’s “tie-breaker provisions”;
 - elects to be treated as a resident of his or her home country under the treaty;
 - files a non-resident tax return with the IRS; and
 - attaches to the non-resident tax return an IRS form disclosing the precise basis for the person’s election to be treated as a resident of his or her home country.
3. A green card holder who does not complete the tax treaty process remains a U.S. person until he or she completes the process of formally “abandoning” his or her green card. In some cases, a person who spent a great deal of time in the U.S. before formally abandoning his or her green card is still a U.S. person until he or she files a form with the IRS and a notice with the U.S. Department of Homeland Security.