

# Does the increased fee for renouncing US citizenship indicate a change in attitude toward expatriates?

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Uncle Sam just managed to dig out a quarter hiding in his couch. Or maybe his patience is just running thin with renouncers. On August 28, 2014, the United States Department of State [published](#) an interim final rule raising the application processing fee for renunciation of US citizenship from \$450 to \$2,350, a 422% increase. The State Department estimates that the fee increase will net Uncle Sam an additional \$4,518,200. While that is a healthy sum, it doesn't buy too many aircraft carriers.

## **In 2010 fees were set low in order to not discourage expatriation.**

After studying the issue, the State Department concluded that the cost of providing expatriation services coupled with increased demand for them was causing... wait for it... yes, a drain on the public fisc. According to an attached schedule, the rule seeks to create parity between the newly proposed fee (\$2,350) and the estimated costs of administrative processing of formal renunciation of US citizenship (\$2,349).

Breaking even is certainly a justifiable explanation for increased fees, but the costs associated with processing renunciation applications are nothing new to the United States. Back in 2010 the State Department first decided to impose a fee on renunciation to "help defray a *portion* of the total cost to the US Government of documenting the renunciation of citizenship." In setting the fee at \$450, the State Department acknowledged that the fee represented less than a quarter of the actual administrative costs, but determined that keeping the fees lower was necessary in order to avoid creating a cost-prohibitive deterrent to the decision to renounce. According to the [State Department](#) in 2010, imposing the full fee would have been detrimental to national interests.

## **So, why the change of heart?**

Although the State Department suggests cost as motivation behind the fee increase, this rationale belies their stance just four years earlier. Fully aware of costs far in excess of fees collected for renunciation, the State Department determined that the renouncers' need for this service outweighed any financial concerns. A paradigm shift within the government may explain this puzzling outcome. The change suggests either that the government is actively seeking to discourage renunciation, or no longer views charging the full cost as a deterrent.

Is discouraging renunciation via a dramatic fee surge no longer detrimental to national interests? The Department is entitled to establish and revise fees associated with providing a service, but those fees must be fair and based on the costs to the Government, the value of the service, the public policy served and any other relevant facts. Presumably the cost associated with processing these applications has not skyrocketed (based on the State Department's estimates) and the value of the service and underlying public policy has not changed. Perhaps the United States has just had a change of heart.

But don't renunciation fees constitute an improper imposition of taxes on citizens, in violation of their

basic rights? Unfortunately the US Constitution won't be able to knock that change loose out of Uncle Sam's hands. Simply calling a tax a fee does not make it so. However the fees associated with renunciation are likely that: fees, not taxes. Taxes are enforced contributions collected for the purpose of raising revenue to be used for public or governmental purposes. Taxes are not payments rendered for a special privilege granted or services provided. Thus things like filing and licensing fees generally are not considered taxes. Indeed the fee in question here is imposed with an eye towards granting the privilege of renunciation, and at least according to the State Department, the fee is strictly tailored to cover the cost of the services rendered by the US government.

Currently, the US government does not impose any fees with respect to a multitude of other services it provides, including processing tax returns. Careful though, if the new fees for renouncing US citizenship prove to be an easy revenue source, Uncle Sam may just flip over the whole couch in his search for loose change.