

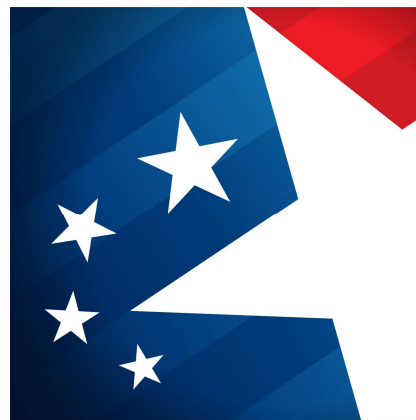


ACCIDENTAL AMERICANS

US Tax Filing Requirements and Penalty-Free Catch-up Filing

U.S. citizens are subject to US income taxation on their worldwide income regardless of where they live. They may also be required to disclose their non-US financial accounts and assets annually. Failure to meet these obligations may result in serious legal consequences.

Were you born in the US but left at a young age? Are you holding the US nationality but have never really lived in the US? You may be labelled an Accidental American. Accidental Americans are individuals who have U.S. citizenship or U.S. tax obligations by virtue of their birth or parentage, even if they have minimal connections or awareness of their U.S. citizenship. This term often applies to individuals who were born outside the United States but acquired U.S. citizenship automatically at birth due to their parent(s) being U.S. citizens. Accidental Americans may also include individuals who were born in the U.S. but left the country at a young age and have limited or no personal ties to the U.S.



These individuals may not be fully aware of their U.S. citizenship status or the associated tax obligations until they encounter situations where their U.S. citizenship becomes relevant, such as when they try to open a bank account or invest in their country of residence.

The term "accidental" highlights the fact that these individuals did not actively seek or choose their U.S. citizenship but acquired it through circumstances beyond their control. However, U.S. tax laws impose taxation on their worldwide income, regardless of their knowledge or intention.

For many accidental Americans, the discovery of their citizenship comes as an unpleasant surprise because of the extensive and punitive tax filing obligations to the United States. The scenario sounds grim and seemingly offers no way out. In this article, we will explore the challenges they are facing and discuss strategies for avoiding the tax implications of accidental citizenship.

HERE ARE SOME COMMON SCENARIOS THAT CAN RESULT IN ACCIDENTAL AMERICAN STATUS:

There are two general ways to obtain citizenship through U.S. citizen parents: at birth, and after birth but before the age of 18. The law in effect at the time of birth determines whether someone born outside the United States to a U.S. citizen parent (or parents) is a U.S. citizen at birth. In general, these laws require that at least one parent was a U.S. citizen, and the U.S. citizen parent had lived in the United States for a period of time.

The following shall be nationals and citizens of the United States at birth:

- A. a person born in the United States.
- B. a person born outside of the United States and its outlying possessions of parents both of whom are citizens of the United States and one of whom has had a residence in the United States or one of its outlying possessions, prior to the birth of such person.
- C. a person born outside of the United States and its outlying possessions of parents one of whom is a citizen of the United States who has been physically present in the United States or one of its outlying possessions for a continuous period of one year prior to the birth of such person, and the other of whom is a national, but not a citizen of the United States.
- D. a person born in an outlying possession of the United States of parents one of whom is a citizen of the United States who has been physically present in the United States or one of its outlying possessions for a continuous period of one year at any time prior to the birth of such person.
- E. a person of unknown parentage found in the United States while under the age of five years, until shown, prior to his attaining the age of twenty-one years, not to have been born in the United States.
- F. a person born outside the geographical limits of the United States and its outlying possessions of parents one of whom is an alien, and the other a citizen of the United States who, prior to the birth of such person, was physically present in the United States or its outlying possessions for a period or periods totalling not less than five years, at least two of which were after attaining the age of fourteen years.

A child born outside of the United States automatically becomes a citizen of the United States after birth when all of the following conditions have been fulfilled.

- A. At least one parent of the child is a citizen of the United States, whether by birth or naturalization.
- B. The child is under the age of eighteen years.
- C. The child is residing in the United States in the legal and physical custody of the citizen parent.
- D. The child is a lawful permanent resident (LPR).

Please also see the chart at the end of this document to know more about how an individual can obtain U.S. citizenship.



TAX AMNESTY PROGRAMS FOR ACCIDENTAL AMERICANS

The US federal tax authority has introduced various tax amnesty programs over the past two decades to help accident Americans and delinquent filers regularize their tax status without certain penalties.

If you want to become tax compliant and avoid all the penalties and other federal tax issues, these are your options:

THE STREAMLINED COMPLIANCE PROCEDURES

The Streamlined Foreign Offshore Procedures (“Streamlined”) introduced in 2012 is probably the most popular program used by US citizens abroad to get back on track with their US tax compliance in recent years. One benefit of this program is the reduction of penalties for late submissions and non-compliance penalties for all delinquent years if an individual qualifies for the “Streamlined” filing procedures.

Currently, to qualify for the “Streamlined” program, a US person must meet three main conditions.

- The individual may not be residing in the US.
- the individual may not be under audit or examination by the US tax authority.
- the individual may not have acted deliberately (non-wilful).

Then, they must submit the information below all at once to a special unit dedicated to this program.

- US federal tax return for the last three years for which the filing due date was missed.
- FBARs for the last six years for which the FBAR filing due date was missed.
- Complete and sign a non-wilful certification statement, Form 14653.
- A payment for the outstanding taxes owed for the three years, including arrears interests.

“Streamlined” is a great program allowing non-wilful individuals to get back into compliance with reduced penalties. As this program has been around for more than ten years now, we do not know whether it will stay around for much longer, but it will certainly not last forever. Therefore, if you are considering the “Streamlined” procedures to regularize your US tax compliance status, you may want to consider using this program sooner rather than later to avoid missing out on a cost-effective method to be US tax compliant.

Failure to file US tax returns can lead to the following situations that one would like to avoid.

- A. Interest Charges and Late Payment and Filing Penalties
- B. Losing Social Security Benefits
- C. Issues Obtaining Loans
- D. Collection and Enforcement Actions
- E. Revocation or Denial of U.S. Passport
- F. Issues at the time of renunciation of U.S. Citizenship

RELIEF PROCEDURES FOR CERTAIN FORMER CITIZENS

Relief Procedures for Certain Former Citizens is a completely penalty-free option for expatriation. It’s made for accidental Americans who have renounced or plan to renounce their US citizenship and want closure with the IRS.

If you have never filed a U.S. tax return – this is one of the rare occasions when the IRS rewards you for not filing! One of the eligibility criteria for this program is that you don’t have a filing history as a U.S. citizen or U.S. resident.

Due to their circumstances, many accidental Americans don’t have a Social Security Number, which is a common requirement when applying for amnesty programs. If you don’t own SSN, this program is a great option as it doesn’t require SSN or Taxpayer Identification Numbers (TIN).

The IRS amnesty programs are set up to encourage people to catch up with their tax filings while taking advantage of various financial benefits. As an accidental American, it’s in your best interest to take advantage of these procedures.

RENOUNCING U.S. CITIZENSHIP

By renouncing their U.S. citizenship, accidental Americans can permanently escape federal tax obligations and potentially save a significant amount of money. Once they renounce their U.S. citizenship, they can no longer be subject to costly penalties for failure to file or disclose foreign financial accounts. It’s a smart financial move that can provide peace of mind and free up resources that can be put to better use elsewhere.

Another perk of renouncing American citizenship is the ability to escape the long arm of American law. The United States has a wide-reaching legal system that can have jurisdiction over Americans even if they are living and working abroad. This can be



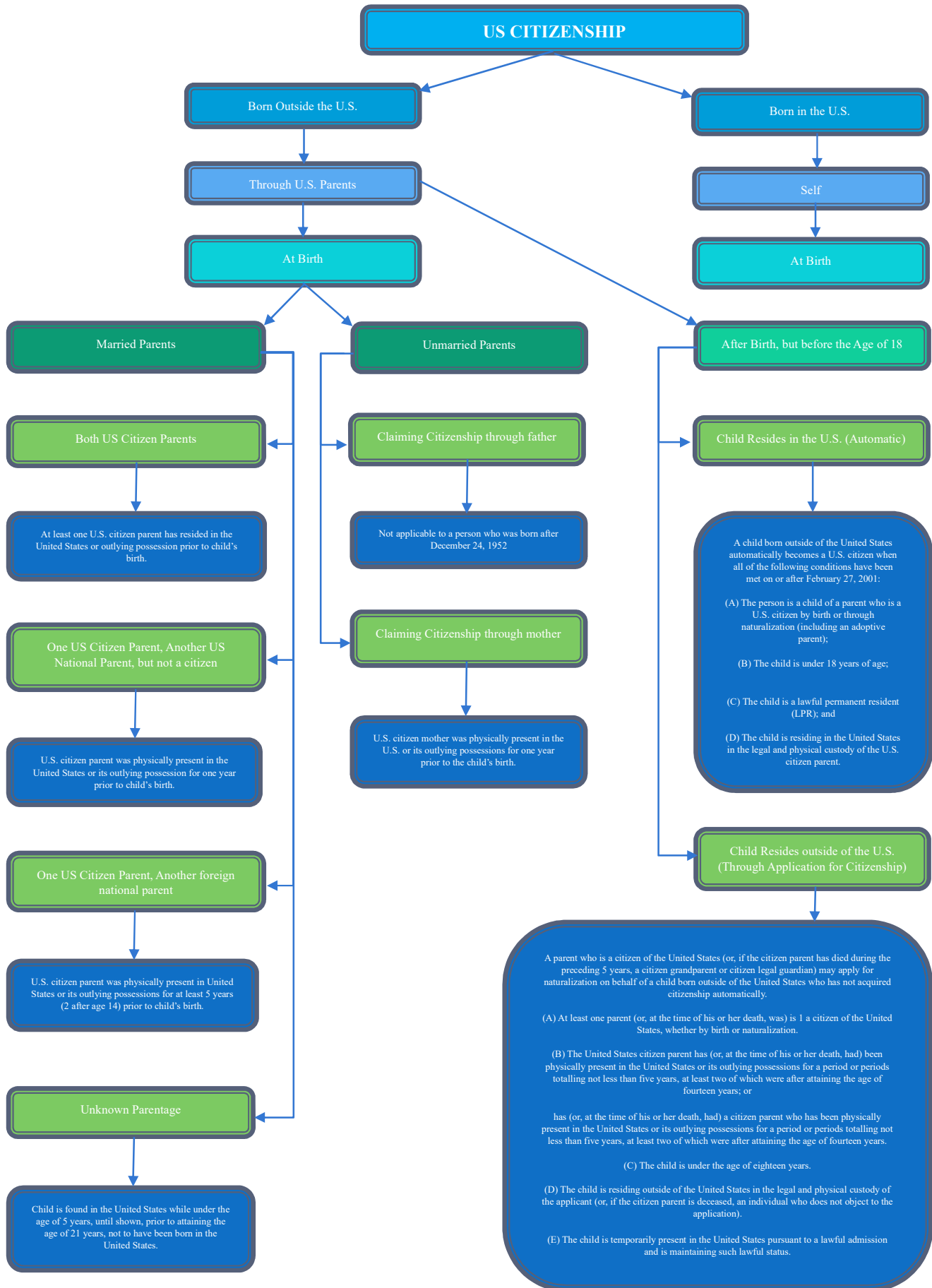
particularly problematic for accidental Americans who may be caught in legal disputes that have nothing to do with their lives outside the United States. Renouncing citizenship allows them to escape the potential legal entanglements that may come because of their citizenship status.

In addition to the financial and legal implications, accidental Americans often don't feel like their American citizenship truly represents who they are. In most cases, being an American citizen can feel like a complete mistake, rather than a true reflection of their identity. It may not be immediately apparent, but this is another significant reason to choose renunciation.

We have helped hundreds of dual citizens normalize their status with the IRS and are familiar with how to best execute this process.



DIFFERENT WAYS OF GAINING U.S. CITIZENSHIP





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Welcome to Compliance - Your Trusted Partner for US Tax Preparation!

At Compliance, we understand that navigating the intricate world of US tax preparation can be a daunting task. That's why we're here to simplify the process and ensure that you remain compliant with all tax laws while maximizing your savings.

With years of experience in the industry, our team of dedicated tax professionals has a deep understanding of the ever-evolving tax landscape. We stay up to date with the latest regulations, changes, and deductions to provide you with accurate and comprehensive tax services.

Our mission is to deliver exceptional tax preparation solutions that go beyond mere compliance. We take a personalized approach, recognizing that each client's financial situation is unique. By carefully analyzing your financial records, we identify all applicable deductions, credits, and exemptions to help you optimize your tax position.

Transparency and integrity are at the core of our business values. We ensure that every tax return is prepared meticulously and reviewed for accuracy. Our commitment to excellence means that you can trust us to handle your tax matters with the utmost professionalism and confidentiality.

We pride ourselves on delivering prompt and reliable service. We understand that time is of the essence, especially during the tax season. Our efficient processes and cutting-edge technology allow us to complete your tax returns in a timely manner, ensuring that you meet all filing deadlines.

Whether you are an individual, a small business owner, or a corporation, Compliance Tax has the expertise to meet your tax needs. Our services include tax planning, preparation, IRS representation, and more. We are here to provide guidance and support throughout the year, not just during tax season.

We believe that communication is key to a successful client relationship. We take the time to listen to your concerns and answer any questions you may have. Our friendly and knowledgeable team is always available to provide you with the guidance and assistance you need to make informed financial decisions.

Thank you for choosing Compliance Tax as your trusted partner for US tax preparation. We look forward to working with you and helping you achieve your financial goals while maintaining compliance with all tax regulations.

Here are some of the services we provide:

Individual Tax Preparation: We assist individuals in preparing and filing their federal and state tax returns accurately and efficiently. Our team ensures that all eligible deductions, credits, and exemptions are considered, helping you minimize your tax liability and maximize your refund.



Small Business Tax Preparation: For entrepreneurs and small business owners, we offer specialized tax services to help you navigate the complexities of business taxation. From determining the appropriate entity structure to preparing business tax returns, we ensure compliance with the latest tax laws and regulations.

Tax Planning and Consulting: We offer strategic tax planning services to help you proactively manage your tax obligations throughout the year. By analyzing your financial situation and long-term goals, we provide customized tax strategies to minimize your tax burden while maximizing savings and growth opportunities.

IRS Representation: If you're facing an audit or dealing with tax-related issues with the IRS, our experienced tax professionals can represent you. We'll communicate with the IRS on your behalf, address any concerns, and work towards resolving the matter in a favorable manner.

Tax Compliance Services: We help individuals and businesses maintain tax compliance by conducting thorough reviews of your financial records, ensuring accurate reporting, and identifying any potential areas of concern. We also assist with estimated tax payments and provide guidance on record-keeping best practices.

Contact us today to schedule a consultation and experience the Compliance difference.

