

# The One Simple Question All Advisors Must Ask to Save Their Clients from an IRS Nightmare (And Save Them a Call to Their Malpractice Carrier).

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If you're a **lawyer, accountant or financial advisor** practicing outside the US, there is one simple question you must always address with every single one of your clients: are they an American citizen or Green Card holder? But simply asking this straightforward and basic question is not always enough. Many clients are US citizens or Green Card holders without even knowing it and are subject to worldwide taxation by the IRS from it. Asking them **the right questions** and knowing what to do with that information is critical. Important follow-ups include where they were born, if one of their parents is/was an American citizen, the residency dates of their US parent(s) (thus potentially making them an American), if they've ever had a US Green Card, and more.

For a full checklist, fill out the box below and we'll send you a pdf outlining what information you should gather from every existing, new, or prospective client before it's too late.

Email me a copy of:

**Am I a US Citizen for Income Tax Purposes?**

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var gform:gform||(document.addEventListener("gform_main_scripts_loaded",function(){gform.scriptsLoaded=!0}),window.addEventListener("DOMContentLoaded",function(){gform.domLoaded=!0}),gform={domLoaded:!1,scriptsLoaded:!1,initializeOnLoaded:function(o){gform.domLoaded&&gform.scriptsLoaded?o():!gform.domLoaded&&gform.scriptsLoaded?window.addEventListener("DOMContentLoaded",o):document.addEventListener("gform_main_scripts_loaded",o)},hooks:{action:{},filter:{}},addAction:function(o,n,r,t){gform.addHook("action",o,n,r,t)},addFilter:function(o,n,r,t){gform.addHook("filter",o,n,r,t)},doAction:function(o){gform.doHook("action",o,arguments)},applyFilters:function(o){return gform.doHook("filter",o,arguments)},removeAction:function(o,n){gform.removeHook("action",o,n)},removeFilter:function(o,n,r){gform.removeHook("filter",o,n,r)},addHook:function(o,n,r,t,i){null==gform.hooks[o][n]&&(gform.hooks[o][n]=[]);var e=gform.hooks[o][n];null==i&&(i=n+"_"+e.length),gform.hooks[o][n].push({tag:i,callable:r,priority:t=null==t?10:t}),doHook:function(n,o,r){var t;if(r=Array.prototype.slice.call(r,1),null!=gform.hooks[n][o]&&((o=gform.hooks[n][o]).sort(function(o,n){return o.priority-n.priority})),o.forEach(function(o){"function"!=typeof(t=o.c
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allable)&&(t=window[t]),"action"==n?t.apply(null,r):r[0]=t.apply(null,r)}), "filter"==n)return
r[0]},removeHook:function(o,n,t,i){var r;null!=gform.hooks[o][n]&&(r=(r=gform.hooks[o][n]).filter(function(o
,n,r){return!(null!=i&&i!=o.tag||null!=t&&t!=o.priority)}),gform.hooks[o][n]=r)});
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Name\*  
First

Email\*

Consent\*

I provide Moodys Private Client Law LLP with my express consent \*\*

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content/plugins/gravityforms/images/spinner.svg'
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jQuery(this).contents().find('*').html();var is_postback = contents.indexOf('GF_AJAX_POSTBACK') >=
0;if(!is_postback){return;}var form_content = jQuery(this).contents().find('#gform_wrapper_272');var
is_confirmation = jQuery(this).contents().find('#gform_confirmation_wrapper_272').length > 0;var
is_redirect = contents.indexOf('gformRedirect()') >= 0;var is_form = form_content.length > 0 && !
is_redirect && ! is_confirmation;var mt = parseInt(jQuery('html').css('margin-top'), 10) +
parseInt(jQuery('body').css('margin-top'), 10) + 100;if(is_form){jQuery('#gform_wrapper_272').html(form_
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{jQuery('#gform_wrapper_272').removeClass('gform_validation_error');}setTimeout( function() { /* delay
the scroll by 50 milliseconds to fix a bug in chrome */
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);if(window['gformInitDatepicker']) {gformInitDatepicker();}if(window['gformInitPriceFields'])
{gformInitPriceFields();}var current_page =
jQuery('#gform_source_page_number_272').val();gformInitSpinner( 272,
'https://moodysprivateclient.com/wp-content/plugins/gravityforms/images/spinner.svg'
);jQuery(document).trigger('gform_page_loaded', [272, current_page]);window['gf_submitting_272'] =
false;}else if(!is_redirect){var confirmation_content = jQuery(this).contents().find('.GF_AJAX_POSTBACK
').html();if(!confirmation_content){confirmation_content = contents;}setTimeout(function(){jQuery('#gform
_wrapper_272').replaceWith(confirmation_content);jQuery(document).scrollTop(jQuery('#gf_272').offset()
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false;wp.a11y.speak(jQuery('#gform_confirmation_message_272').text());},
50);}else{jQuery('#gform_272').append(contents);if(window['gformRedirect'])
{gformRedirect();}}jQuery(document).trigger('gform_post_render', [272, current_page]); } );
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The cold reality is that most advisors don't know what or how to ask, and what to do with the information when they get it. This US citizenship and Green Card issue shows up more and more on standard service provider intake forms for all clients to protect everyone involved and should be standard practice before any planning or investment steps are taken.

In the thousands of US citizenship renunciation and Green Card termination files I have handled over the last decade, a vast majority of service professionals are either unaware of their client's potential US citizenship, or worse, they are aware and decide to turn a blind eye to the issue. This can lead to serious and irreversible US tax consequences. The "Foreign Account Tax Compliance Act" (FATCA) is in full force in hundreds of countries across the globe (enacted in 2010 and implemented in 2014 to catch non-compliant US taxpayers with funds located abroad), and foreign financial institutions are now required to report (either directly or indirectly) their US citizen depositors to the Internal Revenue Service. Because of such, it's almost impossible for noncompliant US citizen expats to hide anymore, and the unwanted US tax issues from such, keep rearing their ugly heads for unknowing non-US advisors.

Common situations where lawyers, accountants, and financial advisors can run into serious trouble with the IRS (if unaware or ignoring the fact that their client is a US citizen or Green Card holder) include, but are not limited to:

- 1. Interest/Planning in Privately Held Non-US Companies/Trusts:** This greatly affects the handling of common planning for privately held non-US companies with even the most basic transactions like estate freezes, capital gains exemptions, and most succession planning (all don't work well with US citizens in the mix). With looming US tax problems such as gift tax, GILTI tax, PFIC tax, Transition Tax, capital gains tax, and expensive reporting costs to boot, there are challenges at every turn when incorporated for US persons abroad. Non-US trusts have their own set of potential landmines including double tax consequences and increased legal and accounting fees for failure-to-file penalties (typically in the \$10,000 USD range per offence).
- 2. Choosing the Right Investments:** Picking the wrong investments that do not work for US tax purposes in the hands of American clients can result in some difficult conversations after the fact. ETFs, non-US mutual funds, RDSPs, ISAs, Kiwi Savers, Superannuation funds, TFSAs, and

more, work great if your client lives in (e.g.) Canada/UK/Australia/New Zealand, but are subject to US tax ramifications that will cause significant (and expensive) reporting costs, double taxation events, and tens of thousands of dollars in US failure-to-file penalties if not reported correctly to the IRS. These are nasty and costly outcomes that will have a client demanding an explanation from their advisor.

- 3. Estate Planning and Taxable Transactions:** Being able to catch basic transactions and events that will save your client from IRS issues is invaluable in their eyes. Knowing when to bring in US cross-border experts often impresses clients not expecting that level of international foresight (protecting them from US income tax, gift tax, estate tax in death, Obama Care tax, medical expense double tax, tax on the sale of a principal residence, throwback tax with non-US trusts, etc).

Moodys Tax Law is keenly aware of the importance of knowing if one's client is a US citizen. We are here to help in looking out for everyone's best interests and trying to maximize wealth. Renouncing one's US citizenship is often a clean solution to the endless cross-border minefield that US expats face every day.

Having a discussion with the US citizen client about what they are facing and the option of properly renouncing beforehand to eliminate the US tax threat is essential planning. The goal is to prevent double taxes and failure-to-file penalties (which often range in the tens of thousands of dollars a year) before – not after – executing a financial plan.

A 360-degree view of the issues is required **on both sides of the border**. In many instances, renouncing the proper way can provide opportunities to preserve wealth among multiple generations. In addition, it takes the handcuffs off family planners, lawyers, and investment advisors outside the US. Thorough and careful planning is required to ensure that your client avoids the many pitfalls in a proper renunciation. If done the right way, US citizenship renunciation can remove the burden of the IRS tax system entirely, for life.