



AMERICAN CITIZENS ABROAD
EDUCATE, ADVOCATE AND INFORM

August 25, 2016

Brian E. Fallon
Press secretary
Hillary for America
Post Office Box 5256
New York, NY 10185-5256

Dear Mr. Fallon,

American Citizens Abroad is a non-partisan non-profit advocacy organization, which represents the estimated eight million U.S. citizens living abroad. As you know, Americans living outside of the United States are eligible to vote in the Presidential election, and absentee ballots have made a crucial difference in previous elections. In addition, Americans living abroad have become an important source of campaign funds for both parties.

For these reasons, we would like to know your position on several issues affecting the American overseas community and your position in general toward this community of American citizenry, which we would like to share with our membership and supporter.

1. H.R. 3078 "Presidential Commission on Americans Overseas Act" introduced by Rep. Carolyn B. Maloney (D-NY). See text here: <https://www.congress.gov/bill/114th-congress/house-bill/3078/text>

There is no one-dedicated voice for Americans overseas in Congress. To bring the issues to the forefront, organizations like ACA advocate to Congress however, a comprehensive study that investigates how the federal government and its regulations serve United States citizens who live outside of the country.

2. Tax reform that would change the United States tax system to a residence-based system, like every one of the 50 states, and like virtually every other country in the world.

A move to Residence-based taxation would allow Americans abroad to function on a level playing field with all other nationalities. Americans who move from California to New York don't pay income taxes to California on income earned in New York, and Americans who have a bona fide residence and presence abroad, and pay their taxes there, should not have to pay taxes to the United States. Unlike Americans, citizens of Germany, China and India can all go abroad with no double taxation, and they contribute to the export boom back in their home countries.

Changing to residence-based taxation would allow Americans to work overseas more readily, which would create export jobs for all Americans. ACA's working draft proposal for such tax treatment can be found here:

https://www.americansabroad.org/media/files/files/9960ba5d/ACA_RBT_proposal_for_submission_to_Senate_Finance_April_2015.pdf



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3. Application of “Same Country Exemption” for FATCA (Foreign Account Tax Compliance Act) reporting to alleviate foreign bank lockout.

The FATCA legislation was written to identify the undeclared overseas accounts of Americans living in the United States. This legislation treats Americans living abroad like criminal tax evaders, even though the vast majority of these Americans are simply maintaining bank accounts overseas for their work, personal and retirement needs. Much the same as an individual who moved from California, to reside in New York for a job, their California bank account would not be considered “offshore” and subject to increase scrutiny.

Americans who live and work abroad are finding it increasingly difficult to get normal banking services, including even a checking account or a mortgage due to the compliancy issues for foreign banks to keep these individuals as clients. Same Country Exemption, would exempt both Americans and foreign banks from reporting on American clients who are legitimately resident in a foreign jurisdiction. This would allow banks, without fear of penalty application, to offer American clients services. Our proposal for Same Country Exemption can be found here:

https://www.americansabroad.org/media/files/files/9d44e9cd/Treasury_Ltr_Same_Country_ACA_160429_FINAL.PDF

4. Remove the FBAR (Foreign Bank Account Reporting) requirement for U.S. Citizens who have signatory authority for corporate and business accounts.

The 1970 FBAR form was created to address money laundering and drug trafficking. In the past few years, the IRS has started imposing severe penalties on taxpayers living abroad, simply for failure to file, even when no taxes are owed. The FBAR requirement should be eliminated for Americans who, for their livelihoods, are required to have signatory authority over foreign corporate or business bank accounts. Many Americans are being refused positions as CFO, Treasurers, etc. due to this requirement effectively opening up private foreign corporations and business accounts to the IRS for no legitimate reason.

5. Insure that all Americans overseas who need to access the Streamlined Compliance Program for FBAR reporting have easy and timely access to procurement of Social Security numbers to enter into the program.

As a result of ACA’s advocacy efforts, the IRS introduced a Streamlined Compliance Program in 2014 in order to give overseas Americans who were unaware of the FBAR filing requirements, or had not filed taxes due to error or oversight, to enter into compliance at a low to no-penalty not with penalties associated to criminal tax behavior. To do so, these individuals, many of them Americans born overseas who have never lived or worked in the United States, need to procure a Social Security number for the first time. This process has proved lengthy, in some cases individuals have been waiting 18 months for their numbers. This prevents them from accessing the Streamlined Program and has a spill over effect for those who need Social Security numbers to fill out the W9 now required of Foreign Financial Institutions in order to maintain foreign banking access. This delay has resulted in law-abiding



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individuals losing their retail banking access, having mortgages called in, due to the inability of Social Security to issue numbers.

6. Insure that Americans overseas are not refused, denied or have their passport revoked from errors resulting from the newly instituted “Passport revocation provision” for back-taxes owed passed as part of the Surface Transportation Reauthorization Act.”

ACA opposed the provision linking the right of a US passport to outstanding tax debt:

See <https://www.americansabroad.org/news/aca-advocacy-on-passport-revocation-gets-results/>. The possession of a valid US passport is essential to normal daily function for an Americans living overseas. With the provision enforce, the IRS should not be the final determinant as to when an individual’s passport is to be revoked. The State Department should be afforded more say in the final decision to revoke a passport given the draconian consequences this could have on an American and where they are residing, in particular in the heightened environment of terrorist activity.

7. Address the reduction of Social Security payments of Americans overseas who are denied their full benefits due to the Windfall Elimination Program (WEP).

Originally intended to stop double-dipping by employees of US states who received “full” government pensions, WEP reduces Social Security payments for those receiving State pensions. As foreign pensions, government and private—many mandated by foreign governments, are considered “full pensions” as such these pensions are taken into account for WEP purposes, reducing fully vested benefits from US Social Security when an individual has paid into both systems.

See: <https://www.americansabroad.org/media/files/files/e6d13c81/us-tax-code-social-security-taxes.pdf>

8. Support the National Taxpayer Advocate Report 's recommendation for Americans living and working overseas which requires the IRS Commissioner to reply to its specific points.

Annually the National Taxpayer Advocate report highlights in detail the plight of normal, hard-working or retired Americans living abroad who have been caught up in tax and tax compliancy issues described above. . Nina Olson in her report to Congress has suggested several corrective measures that have yet to be implemented or discussed. ACA recently testified at a Public Forum on the “State of the IRS” and highlighted the issues that the IRS and government must consider when developing regulations.

See ACA testimony

here: http://taxpayeradvocate.irs.gov/Media/Default/Documents/PublicForums/Serrato_statement-1.pdf

American Citizens living overseas remain very involved in US issues and they plan to vote in the upcoming election. A recent ACA and University of Nevada in Reno study indicated that 67% of respondents to our survey planned to vote in the 2016 election. (See: Figure 10 of Page 9 of the following: <http://www.unr.edu/Documents/business/accounting/FATCASurveyReportFinalDraftDecember2015.pdf>



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Overseas Americans are an important citizenry and contribute to the economic health of the United States through the creation of US-based jobs through exports, the opening of new markets for US products and knowledge, the partnering in new business and research ventures. They also serve a vital role as informal diplomats, educating those they meet on the United States, our political and economic system and our way of life.

We look forward to hearing your positions on these issues, and we will be happy to communicate your ideas for solutions to these problems to our membership worldwide.



Marylouise Serrato
ACA Executive Director