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Increasing or eliminating the cap on the Foreign Earned Income Exclusion (FEIE) is not the solution to tax reform for Americans overseas.

Increasing the Foreign Earned Income Exemption (FEIE), commonly known as Section 911, is not a substitute for Residency-based taxation (RBT) for Americans overseas. Americans citizens living and working overseas need substantive, comprehensive tax reform and not just partial fixes to the existing tax code

American citizens overseas make up a diverse community comprised of executives working for US and foreign multi-nationals, retirees, long-term residents, aide-workers, teachers, researchers, missionaries, humanitarian workers, NGOs, small business owners, consultants and Accidental Americans.

Data from ACA's recent revenue estimation work for RBT shows that increasing or eliminating the cap on FEIE primarily benefits highly compensated employees in low to no tax jurisdictions by allowing those who are already earning in excess of \$100,000 a higher threshold for claiming the FEIE. However, it fails to address many of the tax code's deficiencies including double taxation, complexity and risk of excessive fines for simple filing errors.

The Foreign Earned Income Exclusion covers a narrow definition of "earned income," essentially wages, salaries, professional fees, and other amounts of compensation for personal services. This means that pension and annuity income -including social security benefits, interest, ordinary dividends, capital gains, alimony and some deferred salary payments are not allowed under the exclusion.

Additionally, changes to FEIE do not address some of the most important issues for Americans overseas, the problem of having to fill out a raft of forms, the high cost of compliancy and the risk of penalty application for simple filing errors.

ACA continues to advocate for Residency-based taxation (RBT) as the tax reform solution for Americans overseas. ACA's revenue estimates show that there is no revenue loss in adopting RBT and that it is tight against abuse. See: https://www.americansabroad.org/media/files/files/dc1e1c4e/DEG_short_memo_on_RB_T_proposal_11.06.2017.pdf.

Now is the time for Congress to include RBT in greater tax reform.
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