Washington is pushing ahead with tax reform and they want to hear from you

Washington is working on tax reform! The Senate Finance Committee has created five working groups for tax reform that are ready to accept input and suggestions from groups and individuals. ACA will formally submit its Residence-based taxation (RBT) proposal to the Committee but individuals also have the opportunity to be heard directly. The most important way to influence Washington is to submit your individual thoughts on tax reform. Congress is sensitive to public opinion and reception of multiple submissions on the taxation of Americans abroad will impact their reform efforts. Form letters and templates may seem an easy way to communicate with Washington but these offices want to know they are hearing from individuals with specific, personal issues and suggestions. Take a few minutes and submit your own personal message. ACA suggests that you highlight the specific difficulties you face with the current Citizenship-based taxation policy. You may want to highlight issues such as cost and time involved for compliance including tax preparer, complexity of filing and uncertainty on how to file, instances of double taxation, penalization caused by US taxation of foreign pension funds, foreign exchange risk and fiscal burden related to filing taxes with the US dollar as the functional currency when income and expenses are in another currency, difficulties with access to foreign banking due to FATCA. Provide Washington with your ideas of tax reform and if Residence-based taxation (RBT) is one of them you can reference the ACA proposal found here. ACA encourages individuals to submit their comments on tax reform to both the Individual Income tax working group at: individual@finance.senate.gov and, the International Tax working group at: international@finance.senate.gov. ACA recommends that you keep your submissions to a minimum - one page, not longer than two. The submissions must be filed by April 15th 2015. Requirements for submission can be found here.

American Citizens Abroad, Inc. (ACA) meets with Congressional offices and key tax reform offices

ACA’s onsite presence in Washington, D.C., is key to keeping awareness of the issues affecting the community of Americans overseas top of mind with the legislature. In early February, ACA Executive Director, Marylouise Serrato and ACA Tax Team Director, Jackie Bugnion, were in Washington, D.C. knocking on doors to keep focus on ACA's Residence-based taxation proposal (RBT). ACA was back engaging in tactical meetings with House Ways & Means and Senate Finance, the two key tax writing offices of the U.S. legislature. ACA has met with all the committee members for these two tax writing offices, and ACA continues to update those offices, making return visits, providing them with research, testimonials and practical information on the continuing problems facing overseas Americans. ACA can report that tax reform is on the table
and key tax writing offices and the legislature are getting their ideas worked up into formal proposals. All the offices we met with were clearly aware of the need to simplify international taxation, both for corporations and individuals. Legislation like FATCA has made the Congress aware that filing taxes from overseas is no simple matter; that the cost for compliance far outweighs the average tax owed, and that fear of making errors in filing is causing undue burden and concern for Americans who live and work overseas. Congress knows that something needs to be done and ACA's RBT proposal has been well-received and is top of mind with all the tax writing offices ACA met with in February. ACA continues to push for RBT. Since it is unclear when tax reform will take place, ACA also continues to advocate for corrections to the existing Citizenship-based taxation (CBT). ACA advanced discussions on four key areas for correction to the existing code: recognition and fiscal treatment of foreign pensions on terms comparable to US pensions, use of local currency as functional currency for calculation of capital gains, applicability of foreign tax credits against the 3.8% Net Investment Income Tax and penalization of contributions to Social Security and Medicare taxes:

2. US Tax Code for the 21st Century - NIIT 3.8%
4. US Tax Code for the 21st Century - Foreign Pensions

ACA met with many legislators who have heard from their constituents about their tax filing issues. The importance of writing to your Representatives in Congress cannot be overstated. Offices that receive letters with personal details and information on issues get noticed. ACA saw evidence of this in meetings we held with both House and Senate offices. ACA also met with the Americans Abroad Caucus Co-Chair offices of Representatives Carolyn Maloney (D-NY) and Mick Mulvaney (R-SC). The Caucus is aware of the issues facing American overseas taxpayers and they were clear to communicate that the needs of the community of Americans overseas should be taken into consideration in any tax reform proposals put forth to Congress. Also in February, ACA's Legal Counsel Charles Bruce, along with representatives of other overseas organizations, met with key members of the U.S. Treasury. ACA presented Robert Stack, Deputy Assistant Secretary for International Tax Affairs, and proposed its recommendation for Same Country Exception to alleviate the problem of bank account “lockout” that overseas Americans are experiencing as a result of anti-tax evasion legislation such as FATCA. In brief, Same Country Exception would give “safe harbor” to Americans legitimately living and working overseas, characterizing accounts owned by Americans resident abroad with a bank or other foreign financial institution located in their country of residence as local and not offshore. This would take these accounts out of the due diligence and the reporting requirements of FATCA for both the individual and the foreign financial institution. The proposal was well received and ACA and other overseas groups have been asked to provide Treasury with more evidence on the lockout problem so that Treasury can review the problem in detail prior to deciding whether to make regulatory changes. ACA is working on providing Treasury with testimonials and results from recent surveys on tax reporting like the current survey being fielded by Greenback Expat Tax services in cooperation with ACA Global Foundation and the University of Kent survey fielded last year. Data from these surveys will be used in follow-up meetings scheduled for later this year. Be sure to check the ACA website for updates on our work on RBT and on FATCA.
American Citizens Abroad Global Foundation Online Auction

ACA Global Foundation will be holding an online auction this year from May 21 to June 2, to raise funds for education and research on issues of vital importance to Americans living outside of the United States. The Global Foundation’s predecessor organization has held a popular annual fundraising auction as a live event for over 20 years, and we are excited that this year the auction will be online and truly global, which will permit a large audience of ACA members and supporters worldwide to participate. Items to be auctioned will include luxury hotel stays, meals in fine restaurants, professional services, high quality objects and works of art. The auction will be held on the website Bidding for Good. Stay tuned for further details, and contact us at info@americansabroad.org if you have an item you would like to donate for this worthy cause.

Greenback Expat survey

Please take the 2015 Expat Survey. Data on the community of overseas Americans and their issues are key to ACA’s work in Congress. Educating Congress on the community of Americans overseas helps with our advocacy work so please take the time to give your input. To participate in the survey click here.

Clements Expat Youth Scholarship

The Clements Expat Youth Scholarship awards scholarships to expat youth ages 13-21. This year participants are asked to take an Instagram photo visually capturing how they will use their experience living abroad to make a difference in the world, and write a short accompanying essay. For details, please visit the scholarship website and go to the contest application for your age category in the top menu bar. If you have any questions, please feel free to send a message through the Expat Youth Scholarship Facebook page. The deadline for submissions is April 30 at 11:59pm EST.

Obtaining or Reclaiming your Social Security Number

It is tax season, and American citizens (and green card holders) living outside the United States are increasingly challenged by FATCA compliance. Knowing your social security number is, of course, indispensable for filing tax returns and other individual and business reporting requirements. But did you know that, under FATCA, foreign financial institution (FFI) are required to request IRS W-9 forms from their U.S. customers? What if you don’t know your social security number? ACA has published a how-to guide for obtaining or reclaiming your SSN. The good news: It’s free, and you don’t have to fly home to do it. The bad news: Like other FATCA paperwork, it does take time and effort, and it is increasing the workload of U.S. embassies and consulates around the world in their roles as Federal Benefit Units (FBUs).

American Citizens Abroad seeks State Department employees rendering outstanding service to Americans abroad

American Citizens Abroad calls for nominations for its 2015 Thomas Jefferson Award honoring
State Department employees who have given exemplary service to American citizens residing abroad. ACA launched the Thomas Jefferson Award in 1994 to commemorate the 250th anniversary of the birth of Thomas Jefferson, America's first Secretary of State. Jefferson himself lived outside the new republic for many years while promoting the political, economic and intellectual interests of his country. The impressive nominations submitted for prior Awards testify to the deep appreciation felt by U.S. citizens abroad for exceptional service received from State Department employees. Please click here for details and submission guidelines. The deadline for submission of nominations is 31 May 2015. Nominations should be sent to: info@americansabroad.org (subject: “Thomas Jefferson Award nomination”) or via mail to American Citizens Abroad, Inc., Attention: Thomas Jefferson Award Committee, 11140 Rockville Pike, Suite 100-162, Rockville, MD 20852, USA.

NEWS AND ACTIVITIES

Update on Residence-based Taxation

The American Citizens Abroad Global Foundation (ACAGF) has released a new video aimed at breaking down the merits of Residence-based taxation in a clear and simple way for key decision makers and the public. The video, entitled “21st Century Taxation of Americans Abroad: Citizenship-based taxation vs. Residence-based taxation”, features Professor Michael Kirsch of Notre Dame University presenting the rationale for Citizenship-based taxation (CBT) while Dr. Bernard Schneider, Lecturer in International Tax Law at the Queen Mary University of London School of Law, presents recommendations for Residence-based taxation (RBT). The video can be viewed on ACAGF’s homepage.

Budget Proposal May Offer Escape from U.S. Tax for Dual Citizens

A proposal in the U.S. Treasury green book explaining the revenue proposals of the Obama Administration’s 2016 budget may provide escape for some dual citizens from the burdens of the U.S. worldwide tax system, including the requirements of the Foreign Account Tax Compliance Act. Section 877A of the U.S. Tax Code requires citizens who are covered expatriates and who relinquish their U.S. citizenship to pay a mark-to-market exit tax on a deemed disposition of their worldwide assets immediately before their expatriation. A covered expatriate is defined as one who meets any one of these three tests: the tax liability test, applicable to individuals with an average annual net income tax liability in excess of an inflation-adjusted specified amount; the net worth test, for individuals with a net worth more than $2 million; or the certification test, for individuals who fail to certify compliance with U.S. tax obligations for the five years preceding their expatriation date. Under the proposal, an individual will not be subject to tax as a U.S. citizen and will not be considered a covered expatriate subject to the mark-to-market exit tax under section 877A if the individual:

1. became at birth a citizen of the United States and a citizen of another country,
2. at all times, up to and including the individual’s expatriation date, has been a citizen of a country other than the United States,
3. has not been a resident of the United States (as defined in section 7701(b)) since
attaining age 18 1/2,
4. has never held a U.S. passport or has held a U.S. passport for the sole purpose of departing from the United States in compliance with 22 CFR § 53.1,
5. relinquishes his or her U.S. citizenship within two years after the later of January 1, 2016, or the date on which the individual learns that he or she is a U.S. citizen, and
6. certifies under penalty of perjury his or her compliance with all U.S. Federal tax obligations that would have applied during the five years preceding the year of expatriation if the individual had been a nonresident alien during that period.

The proposal is meant to provide relief to "accidental" U.S. citizens, meaning those who may have not been aware they acquired U.S. citizenship at birth and were therefore obligated to comply with U.S. tax regulations. If passed by legislation, the proposal would become effective January 1, 2016.

**Tips for protecting your US credit rating while overseas**

Our own Jonathan Lachowitz was interviewed by WSJ Expat for tips on how to handle consumer credit issues. His recommendations are:

1. Use your U.S. Credit Cards
2. Consider Applying for a Secured Credit Card
3. Take Steps to Avoid Identity Theft
4. Consider Using a Credit Monitoring Service
5. Keep a U.S. Mobile Phone Number
6. Consider a Credit Freeze

Find out more details on how to maintain a solid credit history while living overseas in the [WSJ article](#).

**Country Contact Activities**

Marian Wellman (Mexico-Chapala) is leaving what she has billed as "the best climate in the world" to base herself closer to family in Colorado. Thank you, Marian, for your years as country rep, and hello to her replacement, Scott L. Graville, who is a partner in Marian's tax preparation business. Diane Gelon (UK-London) was interviewed about FATCA, where she summarizes one of the key difficulties facing expats: "When you're caught between two systems, you don't get the advantage of either system."

**ACA in the Media**

ACA was mentioned in Bermuda's The Royal Gazette, “Managing finances in a globally mobile society,” for both recent work on the Tax Preparers’ Directory, and our efforts in representing the interests of Americans Abroad.

**HOW TO GET INVOLVED**

[Send us your testimonials](#) on how current legislation is affecting you. These testimonials are
important to our advocacy work but even more important is your work in contacting your own Congressional representative. We ask you to write to your representative today and let him or her know your thoughts and personal experience, and please send a copy to ACA as well. Do you have a testimonial about how the Foreign Earned Income Exclusion (FEIE) was a decisive element in helping you establish a company or business overseas? If you do please send it to ACA using our direct link, and read ACA’s recent position paper underscoring the critical importance of FEIE, "The Section 911 Mirage". You can also support our work by writing directly to the Tax Committees responsible for tax reform and asking for Residence-based taxation (RBT). You can also write your own Representatives in Congress about Residence-Based Taxation (RBT) and your support for it. Tell them about yourself, so that they learn about a real-life overseas American. Otherwise, no one is there to tell them that we’re not all tax-dodging billionaires. Lastly: if you haven’t done so already, join ACA! Since 1978, ACA has been the Voice of Americans Overseas, advocating for and defending the rights of US citizens living and working abroad.

ACA ON THE WEB, FACEBOOK, AND TWITTER

ACA’s website and its periodic News Updates are its key communication channels to ACA members and to the millions of Americans all over the world. The ACA website includes a wealth of information: descriptions of the impact of U.S. laws on the various issues – citizenship, voting, Social Security, Medicare, banking and taxes – as well as ACA position papers, references to ACA in the press and a multitude of links to press articles related to ACA issues. Many members and supporters follow ACA on Facebook, and this provides ACA with an opportunity to connect with them on a more regular basis. To get the most immediate, up-to-date information on ACA’s work and initiatives visit Facebook or our website, and sign up for our Twitter feed @ACAVoice.

ACA Twitter Chats!

Join us for ACA Twitter chats. Starting in April, ACA will host monthly Twitter chats every first Thursday of the month at 4pm CET/10:00am EST. We will tweet 5 questions, 1 every 10 minutes. ACA does not respond to questions nor give advice or guidance. "Tweeps" will engage, respond, vent etc. ACA will use your responses as a way of getting a feeling for what members and supporters are thinking about, what your issues and problems are and, what you think ACA should be doing. Join us on April 2nd for our first Twitter chat -- the topic will be tax reform. We’ll be using #ACAChat for tweeps to follow and join in.

SUPPORT ACA

There are many ways you can support ACA. You can become a member, volunteer, or make a donation to support our cause.

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