



AMERICAN CITIZENS ABROAD
EDUCATE, ADVOCATE AND INFORM

News Update: 1st Quarter 2016

The News Update is now quarterly. You can continue to find frequent news updates and get information on ACA developments via our [website](#), [Facebook](#) page, and Twitter feed @ACAVoice. The News Update focuses on in-depth analysis of core issues relevant to Americans abroad. We look forward to bringing you original, thought-provoking content in our new News Updates.

ACA Listening & Working Hard to Offer Practical Solutions for our Members

New ACA Member Benefit: U.S. Banking Services for U.S. Citizens Living Overseas

ACA has been listening to our members. A big problem for many Americans living overseas is the inability to open and/or maintain banking services in the United States. ACA has addressed this issue by developing, in cooperation with the State Department Federal Credit Union, the ACA/SDFCU account. Individuals, through membership in ACA, will have access to banking services based in the United States as a result of this partnership.

The State Department Federal Credit Union is a non-profit, tax-exempt, member-owned financial cooperative providing financial services to its members. Created in 1935 to service State Department employees located around the world, today it has more than 67,000 members. *SDFCU is not part of the U.S. State Department or any other branch of the U.S. government but is entirely independent.*

The ACA/SDFCU account provides the same type of account used by foreign service officers and other Americans working at U.S. embassies around the world, without needing to have a U.S. residence or address or being affiliated with a government agency. You can reside full-time or part-time abroad and still qualify.

The ACA/SDFCU account is simple to open and maintain. Everything can be done online. Credit and debit cards are available.

To learn all the details about this innovative new product, click [here](#). To sign up immediately for the ACA/SDFCU account with the State Department Federal Credit Union, click [here](#).

ACA's mission is to find practical and easily implementable solutions for the problems facing the community of Americans living and working overseas, and we are pleased that we can now offer a solution to the thousands of U.S. citizens who are in need of U.S.-based banking services.

ACA Advocacy on Passport Revocation Gets Results

Americans Abroad Caucus Co-Chairs Maloney (D-NY) and Mulvaney (R-SC) are asking their colleagues in the House to co-sign a letter to Secretary of State Kerry advising him of the serious issues with regard to the passport revocation provision as it applies to Americans living and working overseas. See Caucus letter [here](#).

ACA has been on the forefront of this issue bringing it to the attention of the legislature and the Americans Abroad Caucus. ACA has continued to highlight to the Congress the serious negative impact such legislation could have on Americans living overseas: [ACA letter to Congress](#) and [final ACA position paper](#) on passport revocation.

ACA is pleased to see that the Caucus co-chairs understand our concerns over this provision given the increase in individuals coming into compliance from overseas, the lengthy mail delivery and communications time between the IRS and overseas tax filers, the risk of error in filing from overseas and the lack of clear regulatory guidance on the process for the final determination of those whose passports will be revoked.

You can help by [contacting your Representative in Congress](#) and asking them to support this effort by the Americans Abroad Caucus.

ACA Announces a New Look and a New Focus

American Citizens Abroad, Inc. (ACA) is growing stronger every day and [our new website](#) has been revamped to reflect our Mission to *Educate, Advocate and Inform*. The new website will enable users to conveniently access news, resources and other content while responsive design and a fresh layout make our site more user friendly than ever before.

2016 Presidential Election

American Citizens Abroad Calls on Overseas Americans to Vote

If you are an American citizen living overseas you are fully entitled to vote in both primary and general election contests. It is important that you exercise your right to vote from wherever you are. A recently released [University of Oxford report](#) details how *U.S. expats may impact and even decide the 2016 presidential election*. Don't let distance prevent you from standing up and being counted!

U.S. citizens who are already registered to vote or who have voted in previous elections should complete new federal postcard applications (FPCAs) to ensure they receive their ballot via the fastest delivery method possible. This can be done at the Federal Voting Assistance Program [website](#), which has an excellent [FAQ section](#). Alternatively, voters can go to www.overseasvotefoundation.org to request an absentee ballot, and at the same time create a personal profile which will facilitate voting in future years.

Voting laws and procedures vary from state to state. You will obtain an absentee ballot from, and

send your ballot to, the county, borough or parish election office at your last place of domicile in the United States. The registration process for overseas voters has changed in many states this election cycle, so be sure that you are not caught out by missing a deadline.

A review of state voting laws which have changed recently indicates that where proof of citizenship or photo ID is required, a copy of the passport placed in the mailing envelope (but separate from the security envelope containing your ballot) is the most commonly adopted solution for overseas voters. ACA recommends that all overseas citizens keep several copies of their passport available, to facilitate passport replacement in case of loss or theft, and to document citizenship when required by voting laws.

A number of states have introduced so-called “voter ID laws” which have had the effect of suppressing voter turnout in many communities. Fortunately, military and overseas voters who vote by absentee ballot under the federal Uniformed and Overseas Citizen Absentee Voting Act (UOCAVA) are exempt from ALL voter ID requirements, save the passport copy. Voters now need to register and request a ballot in each election year, since ballots are no longer automatically sent to overseas voters at their previous address of record.

In some states, voting in state or local races (*e.g.*, governor, mayor or state assembly member) may be considered an element potentially justifying your liability to state taxation. If you wish to vote in local elections, seek legal advice about how it may affect your tax liability. In contrast, voting in federal elections only (president, senator or member of Congress) will not affect your state tax status.

If you have sent in an absentee ballot request but have not yet received it, there is a fallback method for obtaining your ballot: the federal write-in absentee ballot (FWAB). This document enables voting and, in some states, voter registration as well. Visit [Overseas Vote Foundation](#) to start this process.

If you are a U.S. citizen, but you have never lived in the United States, a number of states will permit you to vote in the last place of residence of your American parent. FVAP has a current [list of states](#) that allow these citizens to vote absentee. In a number of states, such persons are eligible to vote as a federal voter and may vote for federal offices only.

If you travel extensively but are U.S. based, with a U.S. address, you can ensure you get your ballot there quickly with a visit to [U.S. Vote Foundation](#). Finally, if you cannot find an answer to your question on the websites above, feel free to contact the Voting Assistance Officer at the closest U.S. Embassy or Consulate.

IRS, Taxation and Tax Reform

Dynamic versus Static Scoring

There has been much chatter recently in Washington about the prospects of comprehensive tax reform and many question when Congress will address the problem of the ever more complex U.S. tax code. However, lost in the general discussion of tax reform is the issue of how any new tax reform proposal will be scored; using *dynamic or static scoring* methods.

What is scoring? Scoring is the process by which legislation is evaluated to determine how much revenue is gained or lost as a result of the proposed tax reform proposal. If Residence-Based Taxation (RBT), a measure that ACA has been working diligently on, were scored appropriately against the existing Citizen-Based Taxation (CBT), for example, it would be clearer how each would affect tax revenues.

Traditionally tax legislation has been scored on a *static* basis, which means that the legislation is looked at in terms of how much revenue it will raise or what the cost will be to the federal government (i.e. how much revenue will be lost). Static scoring does not take into consideration any change in economic or consumer behavior. Some in Congress believe that *dynamic scoring*, which means that the legislation is looked at in terms of how much the legislation will cost given a dynamic or real-world application or the macroeconomic effect of legislation, is a more realistic modeling tool for tax reform.

In May of 2015, the U.S. Congress adopted a concurrent resolution on the budget for fiscal year 2016. That resolution requires the Congressional Budget Office (CBO), to the greatest extent practicable, to incorporate macroeconomic effects into its 10-year cost estimates for major legislation that Congressional committees approve. Such estimates must also include, when practicable, a qualitative assessment of the budgetary effects for the following 20 years. Incorporating such macroeconomic feedback into cost estimates is often called [dynamic scoring](#).

[A good example](#) of *dynamic versus static scoring* can be found on the website of the National Conference of State Legislators.

Example:

A government currently imposes a 10 percent tax on cigarettes and received \$100,000 in tax revenue the last year on \$1 million in cigarette sales. Proposed legislation would raise the tax to 25 percent.

Static Score: A static score would assume that the following year, there would again be \$1 million in cigarette sales; thus, the new tax revenue would total \$250,000.

Dynamic Score: A dynamic score might assume the increase in the price of cigarettes would entice some smokers to quit or find alternative means of tobacco consumption. That assumption could lead to estimating that the following year would see \$800,000 in cigarette sales, or \$200,000 less. Therefore, the new tax revenue would total \$200,000.

Who does the scoring of tax legislation?

The Joint Committee of Taxation and the CBO are the U.S. government agencies that “score” tax legislation. The Joint Committee of Taxation (JCT) takes into account taxpayers’ likely behavioral responses to proposed tax law changes. JCT outlines their revenue estimation process [here](#).

The pros and cons.

The argument between *dynamic versus static scoring* rests primarily on the ability of the scorers to predict both economic trends and consumer behavior.

With dynamic scoring how realistic is it for the scorers to be able to predict how individuals and the economic environment will react to a change in policy? Static scoring washes the legislation clean of any possible error due to predicting behavior and relies solely on the numbers. Determining whether a reduction in the tax rate will result in more money in the pockets of consumers is fair enough; however, dynamic scoring goes further and tries to predict what consumers will do with that extra cash. Will it result in consumers spending more and in turn generating more tax revenue, or will it end up in savings and investments and how much of those will generate additional tax income?

Critics of static scoring note that it is unrealistic to look at any legislative change in a vacuum. Minimizing the effect of individual behavior and the economic environment will inevitably affect how successful any legislative change will be. Those supporting dynamic scoring argue that advances in modeling tools now allow the scorers to get a more accurate read on how to predict behavior. There is now more quantifiable data on the importance of taxpayer response to legislative change and it would be short-sighted not to take this into consideration.

What do you think? [Let us know!](#)

For more detailed discussion of *dynamic and static scoring*, see the [Congressional hearing](#). Those testifying were:

[The Honorable Phil Gramm, Ph.D.](#), Former Chairman of the U.S. Senate Committee on Banking, Housing, and Urban Affairs. Senior Advisor, U.S. Policy Metrics.

[Dr. Kevin A. Hassett](#), Director of Economic Policy Studies, American Enterprise Institute

[Dr. John W. Diamond](#) Edward A. and Hermena Hancock Kelly Fellow in Public Finance, Baker Institute of Public Policy, Rice University.

[John L. Buckley](#), Former Chief of Staff to the Joint Committee on Taxation.

How Does an Overseas Audit Work?

IRS audits are a fact of life for all Americans, but expats are [“more likely to be audited than the average tax return.”](#) Expat audits generally follow the [following steps](#):

1. You will be notified that your return has been selected for an audit by mail at the address on your tax return.
2. You will need to decide if you can handle the audit on your own or if you need a tax professional to help you prepare the documentation and communicate with the IRS.
3. Prepare, organize and submit the required documentation to the IRS by mail.
4. Once the audit is finished you will receive a notice in the mail about the outcome of your audit. This notice will either state that you have an outstanding balance to pay or that you will receive a refund. It may also inform you that no changes are required and that nothing is due.

5. Once you have received notice of the outcome of your audit, you are entitled to appeal the IRS's decision within about 30-60 days.

[The best approach](#) is to be cooperative, courteous and professional with the IRS, but not to go beyond what is being requested. Most audits are done exclusively by mail, but you may be asked to arrange a meeting with the IRS officer the next time you are in the States. Any extenuating circumstances that might make it difficult to comply with the tax compliance officer's requests should be communicated clearly, succinctly and respectfully. In rare cases where phone calls and mail are not practical or possible, communication via email may be possible solely for the purposes of arranging the logistics of the audit. The officer will most likely request that you have any necessary documentation that is in a foreign language translated into English.

The [audit may be expanded](#) to include returns going back three years, so documentation should be retained for at least three years.

[Audit triggers include:](#)

- Miscalculations
- Incomplete tax returns
- Mismatch between reported income and 1099/W-2s
- Triggering "red flags"

One way to [avoid triggering an audit](#) unnecessarily is to engage a qualified tax preparer to do your return in the first place.

While it is best to pay any owed amounts immediately, [arrangements can be made with the IRS](#) for a payment plan or to start the process for a settlement.

Useful IRS.gov links:

- [Taxpayers Living Abroad](#)
- [Your Rights as a Taxpayer](#)
- [IRS contact info](#) for international taxpayers

Protecting Americans from Tax Hikes Act of 2015

On December 18, 2015, President Obama signed H.R. 2029 (the "Protecting Americans From Tax Hikes Act of 2015") and the Consolidated Appropriations, 2016. Part of the purpose of these laws was to extend many provisions of the tax law that were expiring. The following is a list of provisions that may impact United States citizens who reside outside of the country.

This list is not tax advice, and is not intended to be an exhaustive list of each provision of the new law that might impact U.S. citizens who are residing abroad. Rather, this is intended to be a list of provisions that might be of special interest to U.S. citizens residing abroad. Each individual is urged to contact their own tax advisor for tax advice that is specific to their situation.

List of provisions impacting U.S. citizens residing outside of the United States

Refundable child tax credit: The refundable child tax credit has been made permanent.

Unfortunately, effective for tax years starting in 2015, individuals who file Form 2555 or 2555-EZ to claim the foreign earned income exclusion may not claim the refundable child tax credit.

Deduction for state and local sales taxes: This itemized deduction, which was scheduled to expire in 2014, has been made permanent. Taxpayers may claim a deduction for U.S. state and local sales and use taxes instead of state and local income taxes. This deduction is helpful to U.S. citizens who pay U.S. sales or use tax in the U.S., and who are not claiming an itemized deduction for state and local income taxes. Therefore, this deduction may be helpful to citizens residing abroad who are paying U.S. state and local sales and U.S. tax on their purchases.

Employer wage credit for employees who are active duty members of the uniformed services: This credit is available for *employers* who pay wages to activated military reservists. The credit is now permanent, and now applies to employers of all sizes, not just small employers as it did through December 31, 2015.

Your 2015 Affordable Care Act Tax Form and Tricare

The Affordable Care Act (ACA) requires most Americans to maintain basic health care coverage, called minimum essential coverage. For those individuals who have TRICARE, this program meets the minimum essential coverage requirement under the ACA. Internal Revenue Service (IRS) Form 1095 is required to prove you had minimum essential coverage during 2015.

NOTE: You do not file IRS Form 1095 with your taxes as the Department of Defense will report your 2015 TRICARE coverage to the IRS, but you should keep it with your personal tax records. You will receive IRS Form 1095 from the pay center that services your military, annuity or pension pay.

NEWS AND ACTIVITIES

ACA maintains an archive of relevant articles about issues of direct concern to overseas Americans on our website. [Visit us](#) regularly to discover the most important news from previous years and to stay informed about the latest news and activities.

TAXPAYER ASSISTANCE

Reminder: Upcoming Filing Deadlines

With the April 15th deadline just around the corner, U.S. expats can rest assured knowing that they have an automatic extension until June 15th for filing their returns (with interest dated back to April 15th on any money due). The deadline for FBAR filing for 2015 is still June 30th, 2016 (but starting [next year this will change](#) to April 15th). The ACA website can get you started with [Some Guidelines for Filing Taxes](#) and [U.S. Taxes Abroad for Dummies](#). ACA encourages Americans living abroad with aggregate foreign bank account holdings exceeding thresholds for the reporting requirements to consult an international tax expert.

ACA's Directory of Tax Return Preparers

Find the Tax Return Preparer that is right for you by exploring our [directory](#).

IRS YouTube Videos

The IRS has released YouTube videos [here](#) and [here](#) aimed at Americans living abroad to assist them with understanding their filing obligations.

Taxpayer Advocate (TAS)

The Taxpayer Advocate Service (TAS) is an independent organization within the IRS headed by Nina E. Olson. This office is your voice at the IRS. Their mission is to help taxpayers whose problems are causing financial difficulty. You may be eligible for help from the TAS if you've tried to resolve your tax problem through normal IRS channels and have gotten nowhere, or you believe an IRS procedure just isn't working as it should. TAS services are free.

As a taxpayer, you have rights that the IRS must respect. TAS will help you understand those rights and ensure that they're protected in any contacts with the IRS. If you qualify for help, you'll be assigned to one advocate who will be with you at every turn.

TAS has a [tax toolkit](#) with basic tax information, details about tax credits (for individuals and businesses), and lots more. Find out more at the [TAS website](#), and the [Taxpayer Advocate section](#) of the ACA website.

ACA DOES NOT PROVIDE TAX ADVICE. BE SURE TO CONSULT IRS AUTHORITIES AND, AS NECESSARY, CONSULT A QUALIFIED TAX ADVISER OR RETURN PREPARER.

HOW TO GET INVOLVED

Contact your Members of Congress

ACA's website now hosts two [links](#) that can help you contact members of Congress. They include addresses, fax numbers, sample letters and general advice on contacting a member of Congress. Remember, our efforts depend on our Representatives continuously hearing from Americans abroad.

Testimonials

[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) and submitting comments to those committees holding hearings on tax reform.

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.

Join Us!

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 U.S. citizens living and working abroad.

ACA ON THE WEB, FACEBOOK, AND TWITTER

ACA's website and its quarterly 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.

SUPPORT ACA

There are many ways you can support ACA. The best way is to become a [member](#), so we can count on your ongoing support in our efforts to make changes in Washington, D.C., on your behalf.

In addition, you can [volunteer](#), or make a [donation](#) to support our cause. ACA has a number of volunteer positions available. As long as you have an internet connection, anywhere in the world, we could use your help!