115th Congress  
2d Session  

H. R. 7358

To amend the Internal Revenue Code of 1986 to provide an alternative exclusion for nonresident citizens of the United States living abroad.

IN THE HOUSE OF REPRESENTATIVES

Mr. Holding introduced the following bill; which was referred to the Committee on

A BILL

To amend the Internal Revenue Code of 1986 to provide an alternative exclusion for nonresident citizens of the United States living abroad.

1 Be it enacted by the Senate and House of Representa-

2 tives of the United States of America in Congress assembled,

3 SECTION 1. SHORT TITLE.

4 This Act may be cited as the “Tax Fairness for

5 Americans Abroad Act of 2018”.

SEC. 2. TAXATION OF NONRESIDENT CITIZENS.

(a) In General.—The Internal Revenue Code of 1986 is amended by inserting after section 911 the following new section:

"SEC. 911A. ALTERNATIVE FOR NONRESIDENT CITIZENS OF THE UNITED STATES LIVING ABROAD.

"(a) Exclusion of Foreign Income From Gross Income.—In the case of a qualified nonresident citizen, there shall be excluded from the gross income of such individual, and exempt from taxation under this subtitle, for any taxable year—

"(1) the foreign earned income of such individual, and

"(2) the foreign unearned income of such individual.

"(b) Definitions.—For purposes of this section—

"(1) In General.—Unless otherwise provided, terms used in this section have the same meaning given such terms in section 911.

"(2) Qualified Nonresident Citizen.—The term "qualified nonresident citizen" means, with respect to a taxable year, a nonresident citizen who—

"(A) has not made the election described in section 911 for such taxable year, and

"(B) makes an election under this paragraph."
“(3) FOREIGN EARNED INCOME.—The term ‘foreign earned income’ has, with respect to a taxable year, the meaning given such term in section 911(b)—

“(A) without regard to paragraph (2) thereof, and

“(B) if ‘during the taxable year’ were substituted in paragraph (1)(A) for ‘during the period described in subparagraph (A) or (B) of subsection (d)(1), whichever is applicable’.

“(4) FOREIGN UNEARNED INCOME.—

“(A) IN GENERAL.—The term ‘foreign unearned income’ means income other than foreign earned income that is sourced outside the United States.

“(B) EXCEPTION.—The term ‘foreign unearned income’ shall only include income from the sale of personal property to the extent such income is attributable to periods during which the individual was a qualified nonresident citizen.

“(c) EXCLUSION OF GAIN DURING TIME AS QUALIFIED NONRESIDENT CITIZEN.—There shall be excluded from gross income of an individual any foreign unearned income from the sale of personal property to the extent
such income is attributable to periods during which the
individual was a qualified nonresident citizen.

“(d) OTHER RULES.—Rules similar to the rules of
paragraph (4), (5), (6), (7), and (8) of section 911(d) shall
apply for purposes of this subsection.”.

(e) CONFORMING AMENDMENT.—The table of sec-
tions for subpart B of part III of subchapter N of chapter
1 of such Code is amended by inserting after the item
related to section 911 the following new item:

“Sec. 911A. Alternative for nonresident citizens of the United States living
abroad”.

(b) NONRESIDENT CITIZEN DEFINED.—

(1) IN GENERAL.—Section 7701(b) of the In-
ternal Revenue Code of 1986 is amended by adding
the following new subparagraph:

“(C) NONRESIDENT CITIZEN.—The term
‘nonresident citizen’ means, with respect to a
taxable year, an individual who—

“(i) is a citizen of the United States,

“(ii) has a tax home in a foreign
country,

“(iii) is in full compliance with United
States income tax laws for the 3 previous
taxable years, and

“(iv) either—
“(I) establishes to the satisfaction of the Secretary that such individual has been a bona fide resident of a foreign country or countries for an uninterrupted period which includes an entire taxable year, or

“(II) is present in a foreign country or countries during at least 330 full days during such taxable year.

“(D) LIMITATION ON NONRESIDENT CITIZENS.—The term ‘nonresident citizen’ shall not include any Federal employee.”.

(2) CONFORMING AMENDMENT.—The heading of section 7701(b) of such Code is amended by striking “and” and inserting a comma and by inserting after “nonresident alien” the following: “, and nonresident citizen”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to taxable years beginning after the date of the enactment of this Act.