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Treasury Department provides some relief from the new transition tax for Americans Overseas.

ACA is grateful that Treasury/IRS, with the publication yesterday of [Notice 2018-26](#), took notice of the problem of the shortness of time for calculating and paying the transition tax.

ACA, together with other groups, brought this to Treasury's attention and urged that relief be given. It asked not only for more time - which has been granted by extending the filing date from April 15, 2018 to June 15, 2018, but also requested a *de minimis* ruling which would remove small taxpayers from the scope of the transition tax. The *de minimis* ruling was not done, but ACA will continue to press for it. The Notice also states that there will be proposed regulations on this subject and hearings will be held on these.

The transition tax imposes tax on certain accumulated earnings in a foreign control corporation owned by US shareholders. This tax affects, among others, American individuals residing abroad who own a foreign corporation. This corporation might be labeled something else under local law, but for US tax purposes it might be treated as a corporation, and therefore its owner(s) might be confronted with this new tax. There need not be an actual distribution to the individual(s). The new law creates a deemed or constructive distribution.

"It is frankly ridiculous for the transition tax to apply to small taxpayers owning small foreign corporations. They should not be put through the same wringer as the largest US multinational corporations, making the same calculations and completing and filing exactly the same form", said Charles Bruce, Legal Counsel, ACA.

"The transition tax, with its mind-boggling complexity, is just one of the serious problems resulting from the recent Tax Cuts and Jobs Act (TCJA). In enacting TCJA, Congress overlooked Americans abroad. The answer to these problems, and several other problems existing before TCJA, is enactment of residency-based taxation. Pure and simple." Marylouise Serrato, Executive Director, ACA.

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