Letter to the Editor Financial Times.

Delphine Strauss ("Highly paid nomad workers pose risk to nations' tax revenues") makes an important point in highlighting the growing population of fiscal nomads and the resulting challenge for governments' Treasuries. Whether the driver is the pandemic or improved broadband Internet or a societal trend in favor of sticking a finger in the tax authority's eye, makes no difference. For Americans, who, under the US's citizenship-based-taxation approach, are taxed on worldwide income, wherever they live, wherever they work, be it New York, London or Corfu, an enticing low- or zero-tax regime is of limited joy. It's nice to the extent of US tax benefits which free from tax a little short of $109,000, this year, and allow a dollar-for-dollar credit for foreign income taxes, but it's not great for people earning large amounts. For these the subject to watch closely is residence-based-taxation. Treasury Department is believed to be tentatively noodling switching from CBT to RBT. This is not at all crazy. It could serve all the interested parties and is supported by a broad coalition.

It need not lose any income for the US fisc. This might be counterintuitive, but revenue estimates are anything but intuitive. Numbers are quietly being ground into sub-atomic particles with Treasury and Congressional committees looking on. RBT could include a carrot for "tax havens" that have adopted an enticing tax regime and want to attract Americans; an incentive for out-of-compliance US taxpayers to catch up; an improved framework, in the view of some, for exchange of information; and introduction of a "no-zero-tax-income" concept into the rules for taxing individuals, as is being done for corporations.

Also, RBT can be made incredibly tight against abuse. Trust the Joint Committee on Taxation and the congressional Offices of Legislative Counsel on this.

Americans abroad, that is, those truly residing overseas, would achieve nirvana – no longer taxed on foreign income, only on US income, and greatly simplified reporting. As to income, this is the same happy fiscal state largely enjoyed by US companies, after the mammoth 2017 tax law change. It is also the norm everywhere else in the world, ignoring Eritrea.

The IRS might be the happiest. It's widely understood that the IRS cannot effectively chase individuals around the world. The paperwork burden on individual taxpayers is tremendous. And all that paperwork has to be processed and, in theory, taxpayers audited. Even with FATCA pushing portions of the enforcement burden to financial institutions, this is not a well-functioning system.

Put together, the fallouts from enactment of RBT could be a much more logical, tidier tax regime. It would also be fairer, I hasten to add. And US Treasury could squeeze the so-called "foreign tax gap".

It's not fantasy to think RBT is going to get done, sooner or later.

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