



AMERICAN CITIZENS ABROAD
EDUCATE, ADVOCATE AND INFORM

April 10, 2019

The Honorable Nancy Pelosi
Speaker of the House of Representatives
1236 Longworth House Office Building
Washington, DC 20515

RE: Tax Reform for All US Citizens Living Overseas

Dear Madame Speaker:

I am writing on behalf of Americans Citizens Abroad, Inc. (ACA), a qualified section 501(c)(4) non-profit membership organization. ACA is a volunteer organization representing the estimated 8 to 9 million Americans living abroad.

American Citizens Abroad's mission is to educate, advocate and inform both the US Government and US citizens living and working abroad on the legislative and regulatory issues of concern to the overseas American community. ACA is a premier advocate on issues affecting these individuals. It has over 40 years of experience, providing Congress and the community with practical solutions to problems.

Recent community surveys show that the population of US citizen taxpayers overseas mirrors demographically that of taxpayers in the 50 states and the District of Columbia. They are overwhelmingly ordinary, middle class Americans - 71% employed, 61% with household income of less than \$100k.¹ However, in terms of how they are taxed there are serious differences. Due to the US's policy of citizenship-based taxation (CBT), US citizens living and working overseas are taxed not only in the jurisdiction where they live and work but also by the United States on income not generated or earned in the United States.

ACA is advocating for a move to residency-based taxation (RBT) in order to correct the inequities of citizenship-based taxation. Last December, legislation was introduced by Representative George Holding (R-NC) (H.R.-7358, the Tax Fairness for Americans Abroad Act (TFAA)). ACA views this bill as an important first step. RBT would bring the

¹ Democrats Abroad, *Tax Filing From Abroad Research on non-resident Americans and US taxation*, March, 2019.



United States in line with the global norm of taxation and would alleviate instances of double taxation and burdensome compliancy cost for those filing from overseas.

The concept of residency-based taxation enjoys bipartisan support. Having dived into the details and dealt with the policy ramifications for over three years, ACA is confident that RBT can be made revenue-neutral and tight against all forms of abuse. It can also be crafted so as to avoid disadvantaging taxpayers when its provisions are compared to existing rules.

US citizens living overseas comprise a wide range of individuals; individuals born in the United States who moved abroad as children, as young adults, as adults and as retirees. They also include individuals born in the US to foreign parents who returned to their country of origin, never to live or work in the US again (sometimes referred to as “accidental” Americans), and children of US citizens who were born abroad but never lived or worked in the United States.

US citizens who move overseas go abroad for many reasons; to work in NGOs, as missionaries, to work for US and foreign corporations or start-ups, to create their own businesses. Or they may simply move abroad for adventure or because they fell in love.

Many Americans overseas only became aware of their tax filing obligations with the passage of the Foreign Account Tax Compliance Act (FATCA), at which time banks began identifying individuals who had indicia of US citizenship. Many were unaware of their filing obligations because they had lived 30 or 40 years overseas, were sons and daughters of Americans but they themselves were born and raised overseas or, were children of foreign nationals born in the US when their parents were visiting or working temporarily in the US. Now their obligations to file US taxes, in addition to filing in their country of residency, has presented them with onerous compliancy costs simply due to ignorance of the responsibilities of citizenship-based taxation (CBT), which is unique in the industrialized world.

ACA has worked to bring to light the tax compliancy problems of US citizens living overseas and has advocated extensively for residency-based taxation.

<https://www.americansabroad.org/taxation/>.

The time has come for the United States to change the way it taxes its citizens abroad. Legislation to tax them on the basis of where income is earned is the right way forward. All Americans overseas, no matter where they were born or how they attained US citizenship, should be allowed to access any new tax policy. Compliance programs allowing those who were unaware of their tax filing obligations to utilize a residency-based taxation regime or to otherwise regularize their tax situation without ruinous penalties should be part of RBT reform.



April 10, 2019
Page 3

ACA urges Congress to enact residency-based taxation and as a tangible step, it should immediately hold comprehensive hearings on the taxation of Americans abroad.

Respectfully,

Marylouise Serrato
ACA Executive Director

cc:

Representative Richard Neal
Chair, House Committee on Ways & Means

Representative Kevin Brady
Ranking Member, House Committee on Ways & Means

Representative George Holding
Member, House Committee on Ways & Means