



AMERICAN CITIZENS ABROAD

EDUCATE, ADVOCATE AND INFORM

October 6, 2021

Americans Abroad Caucus
U.S. House of Representatives
Washington D.C. 20515

Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington D.C. 20515

Committee on Finance
United States Senate
219 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Members of the Americans Abroad Caucus, House Committee on Ways & Means and Senate Committee on Finance,

I am writing on behalf of Americans Citizens Abroad, Inc. (ACA) the largest, Washington, DC based, non-partisan, non-profit 501(c)(4) organization representing the interests and concerns of Americans living and working overseas. Alongside ACA is ACA Global Foundation (ACAGF), our sister research and educational non-profit 501(c)(3) organization. ACA has been advocating on behalf of Americans living and working overseas for over 40 years on a wide platform of issues i.e., representation, voting, citizenship, taxation, and others.

ACA would like to bring to your attention that in the passage of the American Rescue Plan a change to the Child Tax Credit (CTC) has been included which Americans overseas are not qualified to receive. Beginning July 15th of this year, qualifying families are now eligible for an increase in the CTC from \$2,000 per child to \$3,000 (6 to 17 years of age) or \$3,600 per child (under 6 years of age). Eligibility however for the increased amounts and the advanced monthly payments is dependent upon at least one of the qualifying parents maintaining residency in the United States for at least six months.

As the legislation is currently written, Americans living and working overseas, although they may qualify given income thresholds and age requirements for their children, are unable to qualify for the increase and advanced payments given their inability to meet the residency requirements. In terms of tax fairness, the inability to qualify fully for the Child Tax Credit is a clear demonstration of where the tax code does not live up. In a similar fashion, the Net Investment Income Tax (NIIT), a supplemental tax of 3.8% on incomes over \$250,000 is



another example. The 3.8% funds the Affordable Care Act, which Americans overseas cannot access, nonetheless they are subject to the supplemental tax and cannot use foreign tax credits to offset what is clearly a case of “double taxation.”

It is unclear why the Congress has chosen to exclude Americans living and working overseas from the increased benefits of the Child Tax Credit. Independent studies show that Americans overseas are similar demographically to Americans living in the United States and that those in need of the Child Tax Credit face the same issues overseas as Americans domestically.

The Child Tax Credit and the Net Investment Income Tax are just two examples of where the current US tax policy, based on taxing individuals on their citizenship and not on where income is earned, creates unfairness and problems for Americans living and working overseas. There are other problems Americans overseas face related to Citizenship-based taxation (CBT), for example; investing in foreign mutual funds and other non-US investment vehicles often are considered PFICs by the IRS resulting in onerous US taxation, banking lockout due to the Foreign Account Tax Compliance Act (FATCA) reporting regulations and many others which can be found outlined in ACA’s various [submissions to Congress](#).

Although ACA advocates for full inclusion of Americans overseas in the increased benefits of the Child Tax Credit, the ultimate corrective measure for all these problems is the adoption of Residence-based taxation (RBT). ACA has been on the forefront [advocating for RBT throughout its over 40-year history](#). ACA was the first organization to put pen to paper and demonstrate how RBT legislation can be developed by taking the current tax code and showing where in the code changes need to be made to achieve RBT with our [side-by-side comparative](#). In 2017, ACAGF contracted with [District Economics Group](#) (DEG) to run revenue estimates on our side-by-side to determine if revenue neutrality could be achieved within a 10-year period. Our work with DEG proves that it can, see [DEG short memo on RBT proposal 11.06.2017.pdf](#). This research has been presented to your Committees, as well as the Joint Committee on Taxation and the US Treasury Department.

ACAGF is going back to the data and research work fielded in 2017 and updating and adding to the work done by the highly regarded DEG. Surprisingly, there is no complete government source for the tax and investment data on Americans overseas. The IRS and US Treasury Department have some data and the US State Department has some demographic data, however, ACAGF’s data is the only comprehensive private-sector research on taxation of Americans overseas. Recently ACAGF hosted a webinar, [Parting the Veil: Analyzing the Revenue Effects of RBT](#) with Charles Bruce, ACA Legal Counsel and Michael Udell, principal of DEG, where this research is discussed. ACAGF is looking forward to the publication of our follow-up research in the coming weeks and to the opportunity to present this important research to your Committees.



October 6, 2021
Page 3

ACA encourages the Committees to investigate the issues of fairness with regard to the Child Tax Credit and the Net Investment Income Tax. We believe the best avenue for this is to host hearings where all the issues and problems facing the 6 to 9 million strong community of Americans overseas can be put on record. Only in that manner can the tax writing committees provide the legislation and regulations needed to address the existing problems.

Sincerely,

Marylouise Serrato
Executive Director
American Citizens Abroad, Inc.