



AMERICAN CITIZENS ABROAD
EDUCATE, ADVOCATE AND INFORM
AMERICAN CITIZENS ABROAD
global foundation FOR EDUCATION AND RESEARCH

April 23, 2021

The Honorable Ron Wyden
Chairman
Committee on Finance
United States Senate
219 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Sherrod Brown
Member
Committee on Finance
United States Senate
219 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Mark Warner
Member
Committee on Finance
United States Senate
219 Dirksen Senate Office Building
Washington, D.C. 20510

ACA welcomes this opportunity to submit these comments to the Committee on Finance on the framework for overhauling international taxation and investing in the US, recently published by Chairman Wyden, Senator Brown and Senator Warner.

American Citizens Abroad, Inc. (ACA) is a qualified section 501(c)(4) non-profit membership organization, which advocates on behalf of Americans abroad. Its sister organization, American Citizens Abroad Global Foundation (ACAGF), is a qualified section 501(c)(3) tax-exempt public charity, which identifies subjects that affect Americans abroad, develops information about these subjects and provides such information to Congress, Treasury Department and other relevant persons. ACA and ACAGF (collectively, ACA) favor a balanced approach to subjects, supporting effort that provide tangible results and practical solutions. ACA is the premier thought-leader on issues affecting US citizens living and working overseas.

ACA's membership base is overwhelmingly long-term American residents overseas. The profiles of these individuals are very similar to those of individuals of the same economic stratum and age living stateside.



The Wyden-Brown-Warner Framework builds off President Biden’s recent Made in America Tax Plan which, among other things, rolls back and modifies a number of provisions in the 2017 Tax Cuts and Jobs Tax Act. We note Treasury Secretary Yellen’s remarks a few days ago to the Chicago Council on Global Affairs.

ACA has two big points to make. First, when wading back into the subject of the US’s international tax rules, Congress and the Treasury Department should not ignore individual Americans abroad. Americans abroad were completely overlooked in the rush to enact TCJA. This fact was acknowledged at the last minute, but there was not time or the inclination to do anything to correct the situation. This should not be repeated.

Secondly, tax legislation affecting Americans abroad cannot be approached carefully and diligently without there being Congressional hearings. There is a fair amount of detail surrounding the subject of taxing American citizens resident abroad. To act thoughtfully and avoid mistakes, it’s necessary to examine people’s “real life” situations and the baseline economic and filing data, which depicts reality. It’s remarkable that big pieces of data, including how many Americans reside abroad, how many of these are taxpayers, where they reside, what they pay in the way of taxes, the makeup of their assets, and the size of any “tax gap”, are missing. There is no reason for this failure to remain uncorrected.

There are a number of widely recognized problems with the taxation of Americans abroad. Among other things, the approach of taxing them under citizenship-based taxation (CBT) rules is completely out of sync with the rest of the world. It produces a large number of unfair results. It is extremely difficult and costly to enforce.

Switching from CBT to Residence-Based Taxation (RBT), in fact, can be made revenue neutral and tight – and here we mean extremely tight – against abuse. ACA has analyzed the revenue effects of a possible approach to RBT.¹ It has also produced a roadmap of things that decision-makers can address in the drafting process.²

The drafting of amendments to the Internal Revenue Code to effect RBT is not especially difficult or tricky. Because the population of qualifying American citizens abroad would be treated similar to nonresident alien individuals under existing law, most of the statutory “tissue” is already there.

A number of decisions will need to be made. For example, will individuals residing in tax havens be able to qualify? How will existing American residents overseas be “grandfathered”? How will individuals

¹ District Economics Group summary of analysis of a basic Residence-Based Taxation (RBT) Proposal, reproduced at https://www.americansabroad.org/media/files/files/dc1e1c4e/DEG_short_memo_on_RBT_proposal_11.06.2017.pdf.

² Side-By-Side Analysis: Current Law; Residency-Based Taxation. <https://www.americansabroad.org/media/files/page/60567bc4/residency-based-taxation-aca-side-by-side-comparison-current-law-and-vanilla-approach-180420-1600.pdf>.



residing in the US who move overseas be prevented from “cashing out” tax-free assets with built-in gains? What changes should be made to the estate and gift tax rules?

Congress and Treasury Department are able to make these decisions, working back from detailed revenue estimates in order to arrive at an acceptable result.

They will also want to consider such things as how to strengthen exchange of information covering individuals and how to view individuals seeking to “zero out” all tax liability in all places.

RBT is not a means for US citizens to drop off the edge of the earth. They would remain US taxpayers; they would simply not be taxable on foreign income. They would remain taxable on US income. They would still have an obligation to “stay on the radar scope”, filing simple forms reiterating that they continue to qualify.

Americans who are long-term residents outside the US would be greatly relieved. An overwhelming majority, in some cases all, of their income is foreign source. They would no longer have to file long and extremely complicated tax returns resulting, for most of them, in no tax liability in any event.

The IRS would no longer have to devote scarce resources to auditing ordinary individuals living abroad. The Justice Department would no longer have to chase these individuals living in far off places.

ACA has presented more detailed [comments](#) at the recent Committee on Finance hearing on “How US International Tax Policy Impacts American Workers, Jobs and Investment”.

Thank you for your attention to this important subject.

Sincerely,

Marylouise Serrato
Executive Director

Charles Bruce
Legal Counsel-ACA and Chairman-ACAGF