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Washington, DC
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**RE: American Citizens Abroad (ACA) submits testimony to Senate Finance Committee
Hearing: “Closing of the Tax Gap: Lost Revenue from Noncompliance and the Role of Offshore
Tax Evasion.”**

ACA submitted testimony for the May 11th Senate Finance Committee hearing, “Closing of the Tax Gap: Lost Revenue from Noncompliance and the Role of Offshore Tax Evasion.” The recent [testimony](#) follows on the heels of ACA’s [commentary](#) submitted to the Committee on Finance on the framework for overhauling international taxation and investing in the US, that was published by Chairman Wyden, Senator Brown and Senator Warner. In ACA’s opinion, recent hearings and publication of the framework indicate a keen interest by the Congress in addressing international taxation and in particular taxation of individuals living and working overseas.

In ACA’s testimony for the May 11th hearing on the subject of closing the tax gap as it relates to individuals and activities outside the United States and revenue lost due to noncompliance and “offshore tax evasion”, ACA made two key points. First, good data and other information are critical and secondly, the key to cleaning up the “offshore” element of the tax gap is enactment of Residence-Based Taxation (RBT) as a replacement for the current Citizenship-Based Taxation regime.

“It is remarkable that the US government does not have reliable figures for the size and shape of the ‘offshore’ element of the tax gap as was evidenced in the questioning of the witnesses,” noted Charles Bruce, ACA Legal Counsel, adding “it does not know the number of non-filers, and those otherwise out of compliance, who are resident abroad. All of us would like to know how much of the problem is traceable to individuals truly residing abroad, as opposed to individuals living in the US and doing all manner of things to evade tax.”

ACA’s testimony stresses the importance of reliable and accurate data, citing its 2017 research project fielded with [District Economics Group](#) (DEG) to develop a baseline for the size, income, asset, investment and demographic make-up of Americans living and working overseas. ACA is updating and adding to the 2017 research project with a second deeper analysis of data which DEG has begun work on and for which ACA continues to raise funds [American Citizens Abroad Global Foundation - Donate \(wildapricot.org\)](#). ACA is confident that its research work, alongside data currently available to the IRS and the US Treasury Department can demonstrate that moving to a system of Residence-Based Taxation (RBT) is eminently “doable.”

“Moving to RBT can help narrow the tax gap attached to individuals’ activities and presence abroad. It can throw light on the size and nature of assets belonging to Americans and located outside the US, including in zero tax and low tax jurisdictions. Having RBT in place could help separate out compliant,

regular Americans residing abroad from non-filers and criminal tax evaders,” said Jonathan Lachowitz, ACA Chairman.

“RBT fits within the global system of taxing individuals. It would be the single most helpful step to relieve Americans abroad from double taxation and ridiculously complex and expensive reporting. All of the FATCA-related paperwork could be eliminated. Americans living normal lives outside the United States would no longer be viewed as financial lepers. More importantly, RBT can be made revenue neutral, tight against abuse and such that no one is worse off than they are under the current rules,” said Marylouise Serrato, ACA Executive Director.

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