



AMERICAN CITIZENS ABROAD

EDUCATE, ADVOCATE AND INFORM

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American Citizens Abroad (ACA) issues detailed explanation of the “Tax Fairness For Americans Abroad Act of 2018” (H.R. 7358)

On December 20, 2018, Congressman Holding introduced the “Tax Fairness for Americans Abroad Act of 2018” (H.R. 7358). The goal of the legislation is to replace the current citizenship-based taxation regime with residency-based taxation. In general, the Tax Fairness for Americans Abroad Act of 2018 (“TFAA”) would enact, alongside existing section 911, an alternative for “Qualified Nonresident Citizens” (QNCs) of the US living abroad.

With limited exceptions, the foreign-source income of Qualified Nonresident Citizens would be taxed like nonresident alien individuals, that is to say not taxed by the US. However, QNCs would remain US taxpayers and fully taxable, and subject to normal filing requirements, on US-source income.

[ACA's explanation](#) of “TFAA” outlines the current bill language and the tax treatment of both foreign earned and foreign unearned income; salaries, PFICs, Social Security, capital gains, pension distributions, investment income, etc. “The explanation is an attempt to layout all the various income streams and assess how the proposed TFAA legislation will be applied to these income streams. What will be taxed by the US and what will not be taxed by the US,” said Marylouise Serrato, ACA Executive Director.

“The explanation is by no means an official technical explanation, and it should not be attributed to any degree to any person other than ACA,” added Charles Bruce, ACA Legal Counsel. “It’s important for the community and those working on the legislation to have a complete outline of the various areas of the current tax code that might be affected by the bill and how these changes might ‘play out’. The Holding bill lays down an important ‘marker’. Now everyone can greatly sharpen their thoughts.”

“ACA is obviously very much interested in helping develop and enact a final bill. From work on background subjects and then the drafting details, ACA is now turning to pushing for adoption of residency-based taxation,” said Marylouise Serrato.

ACA was the first organization to develop an approach to residency-based taxation (RBT) and to run unofficial revenue estimates on that approach. The work was widely presented to the offices that developed TFAA, and ACA data and knowledge, we believe, was very valuable to that process. ACA looks forward to continuing to develop its thinking on the subject of tax reform for Americans abroad and working with Members of Congress, the Administration and stakeholders of all stripes.

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