Organizations Band Together to Advocate for Residency Taxation

by Andrew Velarde

Eight organizations, several of which have been longtime advocates of moving the United States toward residency-based taxation for individuals, have formed a coalition to advance that cause.

The Residence-Based Taxation Coalition (RBT Coalition) was announced January 27. The group is made up of the Association of Americans Resident Overseas, American Citizens Abroad (ACA), Americans Overseas, Bright!Tax, Dunhill Financial, the National Taxpayers Union, the Swiss-American Chamber of Commerce, and White Lighthouse Investment Management. The group hopes its membership will grow as it works to draw congressional focus to the need for residence-based taxation, according to the announcement.

"The RBT Coalition will not posit any specific tax reform platforms or proposals but . . . will provide those responsible for tax reform with the data, information, background, and details as to why residence-based taxation should be enacted," the coalition's release states. "RBT Coalition members will bring a wealth of knowledge not only on the tax and compliance issues of Americans living and working overseas, but also information on the demographic and financial make-up of the community."

ACA Executive Director Marylouise Serrato said the purpose of the coalition is to show the broad appeal of residence-based taxation across various groups.

It's the American Chambers of Commerce; "it's tax advocacy groups; it's professionals in the industry. This really isn't a niche issue . . . and it's got support from a lot of areas — business [and] tax," Serrato said.

In December 2018 Rep. George Holding introduced H.R. 7358, designed to end "the onerous burdens of citizenship-based taxation," according to the bill's description.

The bill, the Tax Fairness for Americans Abroad Act of 2018, would have allowed qualified nonresident citizens to carve out foreign-source income from gross income and exempt that income from U.S. taxation. The exclusion would have covered foreign earned income and foreign unearned income, which is defined generally as income sourced outside the United States that doesn't fall within foreign earned income. Qualified nonresident citizens would still have been liable for tax on their U.S.-source income, and nonresident status would have required an election that needed annual certification of eligibility.

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But that bill failed to get traction in Congress, and while Holding worked to revive it in 2019, he has since retired following redistricting. It is the last concrete legislative action introduced on the matter.

Serrato wasn't discouraged by the legislation's fate, however, labeling that initial effort "a marker bill" that was broadly written with the intent "to get the conversation going" with tax committees. She acknowledged that one significant concern is ensuring that any legislation is not a vehicle for tax evasion.

Serrato said ACA's next steps will be to push for congressional hearings in the taxwriting committees.

"The only way that they can answer some of the questions that they have and some of the problems they keep running up against is to really get the data on the community," Serrato said, adding that questions that arose from the Holding bill were based "on a lack of understanding."

The former director of ACA has argued that estimates of moving to residence-based taxation as potentially costing $6.4 billion grossly overstate the lost revenue, and that an analysis of IRS statistics from 2014 to 2016 shows that the actual cost would be about $400 million annually. ■