



DEMOCRATS ABROAD

Senate Committee on Finance
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October 3, 2017

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Dear Chairman Hatch, Ranking Member Wyden, and all Members of the Committee,

Re: Senate Finance Committee Hearing on International Tax Reform

Democrats Abroad greatly appreciates you holding this important hearing on international tax reform and allowing for stakeholders to submit testimony into the record. Like you, Democrats Abroad believes that comprehensive tax reform is long overdue for middle-class Americans, working-class families, small businesses, job creators, and especially so for American taxpayers living and working abroad.

As you know, millions of U.S. citizens reside overseas, normally for family reasons, but also for work, education or adventure. As Americans, we are all subject to tax-filing requirements in both our country of residence and to the U.S. even though our use of the services provided by our federal taxes is comparably negligible. Furthermore, the U.S. is only one of two countries in the world still taxing non-resident citizens based on the outdated system of citizenship-based taxation.

Fortunately, with Congress and the Administration ready to move forward together on the most significant tax reform in three decades, we believe that lawmakers are presented with an ideal opportunity to correct this injustice to Americans abroad and restore fairness to the taxation playing field.

Democrats Abroad joins the rest of the Americans abroad community in our strong support for a tax reform package which includes:

- Reforms to the U.S. tax code which reduce inequality, boosts opportunity, and raises revenue to meet public demands primarily from those with the greatest ability to pay;
- Residency-based taxation as a replacement for the current system of citizenship-based taxation;
- Safeguards to prevent tax abuse by those seeking to hide offshore income;

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- Relief from foreign financial account reporting for Americans abroad genuinely residing in their country of residence;
- Simplified and improved tax filing for Americans living abroad; and
- Deficit-neutrality and revenue-neutrality to ensure tax cuts are fully paid for and Congress does not add to our nation's existing debt.

Itai Grinberg, your witness in today's hearing, previously wrote a paper on international taxation in which he stated, "It is inappropriate for regulatory rules to make it difficult for [Americans living abroad] to maintain residence country financial accounts."¹ We strongly agree with Mr. Grinberg's assessment in that everyday Americans abroad experience financial hardship which results in not being able to save for retirement or utilize financial services in the same manner as Americans living within U.S. borders.

Although we are disappointed that the Senate has decided to advance the FY18 budget resolution with reconciliation instructions on tax reform, we are encouraged by this hearing that all perspectives will be considered by the Senate in crafting tax legislation.

Thank you for your consideration of this submission for inclusion into the hearing record. If you or your staff have any questions regarding this letter or if you would like to discuss an expanded outline of our tax reform recommendations, please feel free to contact me or Ms Carmelan Polce, Chair of the Democrats Abroad Taxation Task Force, at cpolce@tpg.com.au.

Respectfully submitted,

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¹ Grinberg, Itai 2012, "Beyond FATCA: an evolutionary moment for the international tax system", 27 January, *Georgetown University Law Center*, p. 59.

<http://scholarship.law.georgetown.edu/cgi/viewcontent.cgi?article=1162&context=fwps_papers>.