Tax Reform for Americans Abroad

DEMOCRATS ABROAD CAMPAIGN IN A BOX
For the first time since the 1980’s, Congress stands a chance of moving a comprehensive package of corporate and personal tax reforms to the floor. Now is the time for Democrats Abroad to focus and advocate for common sense tax reforms that:

- clarify and simplify filing
- make the tax code fairer for all Americans
- help reduce inequality and boost opportunity
- raise revenue from those with the greatest ability to pay
- do not add significantly to the federal deficit
- protect programs essential to national, community or individual well-being
- avoid creating loopholes to be exploited for tax avoidance.

We support tax reform package that ticks these boxes. But we also want changes to the tax treatment of the income of ordinary, hard working Americans living abroad who face taxation in both the U.S. and the jurisdiction where they live.

Research just completed by Democrats Abroad clearly highlights the ways in which citizenship-based taxation imposes unnecessary and unfair costs and hardship on the estimated 6+ million tax liable Americans living abroad, some of whom have never resided in the U.S. Let’s use this opportunity to persuade Congress that we need the 2017 tax reform package to include a change from Citizenship Based Taxation (CBT) to Residency Based Taxation (RBT).
Americans abroad face taxation in both the US and the jurisdiction where we live.

- Many types of income are not covered by the existing foreign earnings exemptions and so are subject to double taxation. The foreign tax credit often does not zero out all taxes owed.
- Some ordinary retirement savings programs and income streams are subject to punitive tax treatment.
- Respondents to our research indicated these were their tax filing and foreign financial account reporting concerns:
  - 59% pay a tax return preparer to produce their filings.
  - IRS Forms for declaring income earned abroad are very complex, time consuming and stressful.
  - 57% pay $500 or more for tax return preparer services.
  - IRS outreach to Americans abroad about tax compliance is woefully inadequate. It remains under-resourced.
  - CBT makes Americans more expensive to hire than those of other nationalities and thus less competitive.
  - As ambassadors of American culture and values, promoters of US interests, Americans abroad should not be rewarded with discriminatory tax treatment.
The vast majority of the 9 million Americans abroad are ordinary, working class Americans who moved abroad in order to pursue a family relationship, an education or a job and decided to remain.

Americans abroad are not wealthy ‘fat cats’ and high rollers living overseas in order to game the international tax system. In fact, most Americans live in high-tax countries with a higher overall tax burden than the US.

*Demographic data pulled from an online survey of over 4500 respondents conducted in September, 2017
DOUBLE TAXING SENIORS & SAVERS

Long-term savings and retirement plans for Americans abroad are taxed punitively

48% of our survey respondents noted that their greatest tax problem is due to the double taxation or punitive taxation of earnings from their long-term savings and retirement plans.

Income types subjected to double taxation or punitive taxation include: Foreign retirement savings plans; capital gains on sale of non-US property; non-qualified non-US pension plans; social welfare payments from foreign governments; and bequests to surviving spouses.

Let’s use this research to persuade Congress of the need for a change to Residency Based Taxation. Please reach out to your Senators, your member of the House and as many members of the House Ways & Means Committee and Senate Finance Committee as you can. Here is some language that you can use to call, email or write a letter or postcard and send them our report, “Can we please stop paying twice? - Reforming the tax code for Americans abroad”.

**Are you impacted by any of these non-resident taxpayer issues?**

- Declaration of earnings from foreign long-term savings plan or retirement fund: 48%
- Reduced access to financial products and services from foreign financial institutions: 45%
- Mandatory electronic filing of FinCEN forms: 37%
- Capital gains tax treatment on my non-US property sale: 26%
- PFIC* rules on non-US pension plans, mutual funds & other investments: 23%
- Tax on artificial capital gains due to currency fluctuations: 20%
- Tax on the transfer of assets from foreign retirement plans: 15%
- Tax on my bequest to my foreign surviving spouse: 13%
- State tax residency triggers: 11%
- Taxation of (non-US) government welfare payments: 10%
- Form 3520 filings for non-US non-employer funded pension schemes: 10%
- Net Investment Income Tax (Obamacare Tax): 8%
- None of these: 16%

*PFIC = Passive Foreign Investment Company
Call Your Senators and Representative and tell them:

My name is _________________ and I vote in your district/state. I live in [name of country] and like other Americans living abroad I am required to file taxes both in the US and in [name of country].

The IRS forms for declaring foreign income are very complex and the risk of making an error makes preparing the forms very stressful. Many of us pay hundreds or thousands of dollars for help filing the forms that show there is no tax to pay. Those of us saving for the future are paying tax on the same dollar of income to both the US and our country of residence. Every American abroad (and there are 9 million of us) would like to stop paying twice.

Please support adding a switch from our current system of citizenship-based taxation to residency-based taxation to the tax reform package.

If the US had a system of residency-based taxation, like nearly every other nation, then I’d still be required to report my US-based income to the IRS, but not the income I make in and pay tax on to [name of country].

Can I send you a report that profiles the hardship that citizenship-based taxation is causing Americans abroad? I think it makes a very persuasive case that the time is right to change our system to residency-based taxation.

(Write down the name, title and email address of the person you’ll send the report to).

Thank you very much for your time and for your support!
Senator’s name
Address

Dear Senator ____________

Re: Seeking your support for Residency Based Taxation

I vote in [state] and I live in [name of country]. Like other Americans living abroad, I am required to file taxes both in the US and [name of country]. The IRS forms for declaring foreign income are very complex and the risk of making an error makes preparing the forms very stressful - and costly. Many of us pay hundreds or thousands of dollars for help filing the forms that show there is no tax to pay.

Those of us saving for the future are paying tax on the same dollar of income to both the US and our country of residence. We’d all like to stop paying twice.

My personal story is as follows…

I am asking for your support to include in the tax reform package a change from our current system of citizenship-based taxation to residency-based taxation. If the US had a system of residency-based taxation, like nearly every other nation, then I’d still be required to report my US-based income to the IRS, but not the income I make in and pay tax on to [name of country].

I am enclosing a report that profiles the hardship that citizenship-based taxation is causing Americans abroad. I think it makes a very persuasive case that the time is right to change our system to residency-based taxation.

I value my US citizenship. I vote every year I can. I pay attention to US politics as much if not more than the average citizen. But I don’t believe it’s fair that I am taxed in [country of residence] as well as in the US on income I make abroad.

Thank you

Kind regards,
Name
Voting Address
Voting city, state, zip code
Dear Representative ____________

Re: Seeking your support for Residency Based Taxation

I vote in your district and I live in [name of country]. Like other Americans living abroad, I am required to file taxes both in the US and [name of country]. The IRS forms for declaring foreign income are very complex and the risk of making an error makes preparing the forms very stressful and costly. Many of us pay hundreds or thousands of dollars for help filing the forms that show there is no tax to pay.

Those of us saving for the future are paying tax on the same dollar of income to both the US and our country of residence. We’d all like to stop paying twice.

My personal story is as follows...

I am asking for your support to include in the tax reform package a change from our current system of citizenship-based taxation to residency-based taxation. If the US had a system of residency-based taxation, like nearly every other nation, then I’d still be required to report my US-based income to the IRS, but not the income I make in and pay tax on to [name of country].

I am enclosing a report that profiles the hardship that citizenship-based taxation is causing Americans abroad. I think it makes a very persuasive case that the time is right to change our system to residency-based taxation.

I value my US citizenship. I vote every year I can. I pay attention to US politics as much if not more than the average citizen. But I don’t believe it’s fair that I am taxed in [country of residence] as well as in the US on income I make abroad.

Thank you

Kind regards,

Name
Voting Address
Voting city, state, zip code
TAKE ACTION - SEND A POSTCARD

**Sample postcard language – House of Representatives**

Dear Representative ____________

I vote in your district and I live in [name of country]. Americans living abroad file taxes both in the US and the country where they live. IRS foreign income forms are very complex. Many spend hundreds paying for filing help only to show there is no tax to pay. Others are paying tax on the same dollar to both the US and our country of residence. We’d all like to stop paying twice. If the US had a system of residency-based taxation, like nearly every other nation, then I’d still be required to report my US-based income to the IRS, but not the income I make in and pay tax on to [name of country]. This report makes the case that the time is right for this non-resident taxation reform.

www.democratsabroad.org/can_we_please_stop_paying_twice_tax_reform_for_americans_abroad

Thank You

**Sample postcard language – Senate**

Dear Senator ____________

I vote in [name of state] and I live in [name of country]. Americans living abroad file taxes both in the US and the country where they live. IRS foreign income forms are very complex. Many spend hundreds paying for filing help only to show there is no tax to pay. Others are paying tax on the same dollar to both the US and our country of residence. We’d all like to stop paying twice. If the US had a system of residency-based taxation, like nearly every other nation, then I’d still be required to report my US-based income to the IRS, but not the income I make in and pay tax on to [name of country]. This report makes the case that the time is right for this non-resident taxation reform.

www.democratsabroad.org/can_we_please_stop_paying_twice_tax_reform_for_americans_abroad

Thank You
THANK YOU FOR YOUR HELP!!

Questions? Get in touch at TaxationTF@democratsabroad.org
OR visit our site at democratsabroad.org/taxation