

November Tax Activism

Tax Advocacy Action Pack

Status of Tax Reform

The House and the Senate Republicans are in the process of trying to pass tax reform that favors the wealthy and large corporations at the tremendous expense of the working class. Worse, the Senate bill not only cuts taxes but rips away at health insurance for 13 million Americans.

The Senate bill will go to a vote on the floor the week after Thanksgiving. **Unless there are material changes to benefit working class Americans both in the U.S. and abroad Democrats Abroad opposes the Senate Finance Committee's bill.**

Make sure your Senator returns from Thanksgiving break to a great big pile of messages condemning the GOP's latest "Trust us, it will trickle down" tax scam. Don't wait. Send your message TODAY.

Tax Action

Please take a moment to send a message to your voting state Senators asking them not to support the Senate bill in its current form. Sample language for your message is below.

Use this link to message them from the easy-to-use Democracy.io messaging platform:
<http://bit.ly/TurkeyAndTax>. **You must use your USA voting address with this tool.**

If any of these Republican Senators represent you, then your outreach is even more important, as their support for the Senate Finance Committee's bill is in doubt: Susan Collins (ME), Lisa Murkowski (AK), John McCain and Jeff Flake (AZ), Bob Corker (TN), Jerry Moran (KS), Mike Lee (UT) and Ron Johnson (WI). Here's why: <https://www.axios.com/tax-bill-drama-amps-up-in-the-senate-2509818680.html>

Sample language for your message to your voting state senators

I vote in [State-Congressional District] and I live in [country of residence].

I do not support the tax bill passed out of the Senate Finance Committee and urge you to vote NO when it comes to a vote in the Senate. Analysts on all sides admit the bill gives large, permanent tax cuts for the wealthy and large corporations whilst making changes that don't help and even hurt working class Americans. No matter how many times I hear it I simply don't believe the tax cuts will trickle down to average Americans.

And the bill includes no provisions whatsoever to address the tax problems of Americans like me who live abroad. Filing taxes on income earned abroad is incredibly complex, expensive and unjust. 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 who do owe are paying tax on the same dollar of income to both the US and our country of residence. Every American abroad would like to stop paying twice.

[Personal story about your tax situation, if you have one.]

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 bill doesn't help me or any working class American. Please vote NO on the Senate Finance Committee's tax reform bill.

Thank you.

Name

Email address

BACKGROUND

What's in the bill going to a vote in the Senate

- Reduces the corporate tax rate from 35% to 20%, starting in 2019.
- Taxes corporations only on profits made in the U.S. (territorial taxation)
- Imposes a one-time tax rate of 14% on profits currently held offshore
- Lowers pass-through tax rate from 39.6% to 25%, with a 17.4% pass-through income deduction.
- Retains existing 7 personal tax brackets and cuts the applicable tax rates until 2025.
- Eliminates state and local tax deductions.
- Reduces mortgage interest deduction on new loans of maximum \$1 million
- Raises the child tax credit from \$1,000 to \$2,000
- Doubles the current standard deduction; eliminates personal exemptions.
- Repeals deductions for medical expenses, tax return preparation fees, alimony, student loan debt.
- Removes the Alternative Minimum Tax and reinstates it in 2025.
- Phases out and does not totally eliminate the Estate Tax.
- Repeal of the Affordable Care Act's health insurance individual mandate.

What's in the bill passed by the House of Representatives

- Reduces the corporate tax rate from 35% to 20%, starting in 2018.
- Corporations only pay tax on profits made in the U.S. (territorial taxation)
- Imposes a one-time tax rate of 14% on profits currently held offshore
- Lowers pass through tax rate from 39.6% to 25%, with a phased in lower rate of 9% for companies with less than \$75,000 of revenue.
- Reduces the number of tax brackets from 7 to 4, lowers all but the top tax rate
- Eliminates of all state and local tax deductions except property tax, capped at \$10,000
- Reduced mortgage interest deduction on new loans of maximum \$500,000
- Child tax credit rased from \$1,000 to \$1,600
- Doubles the current standard deduction; eximinate personal exemptions.
- Repeals deductions for medical expenses, tax return preparation fees, alimony, student loan debt.
- Repeals the Alternative Minimum Tax.
- Repeals the Estate Tax.

Be a tax activist

- ✓ **Know your members of the US Congress:**

HOUSE – <http://www.house.gov/representatives/find/>

SENATE – <https://www.senate.gov/senators/contact/>

Record their contact details and call, write and email them, noting your voting address.

- ✓ **Sign up to receive special updates on Democrats Abroad's tax advocacy work:** Click here: www.democratsabroad.org/taxation
- ✓ **Share this information** with Americans abroad that are as concerned as you are about the cost, stress and inefficiency of reporting income and financial accounts abroad.
- ✓ **Give to support the tax advocacy work** of Democrats Abroad by clicking [on this link](#) and scrolling down to the Tax Reform Advocacy tiles. Three giving levels available: \$25, \$50 and \$100
- ✓ **Vote from abroad** in every election in which you are eligible. It's the best way to show our members of Congress that we are abroad but abroad but we are not absent.

Some background on Residency Based Taxation (RBT)

Residency Based Taxation is a system of taxation where a nation imposes tax on income generated within its borders. Citizens of a nation with Residency Based Taxation pay tax on income in the place where their income was generated. If they live and generate income abroad then their offshore income is taxed abroad and not taxed by the nation of their citizenship.

All developed nations have a system of Residency Based Taxation except the United States. The U.S. tax system is known as Citizenship Based Taxation and it causes enormous hardship for Americans living abroad. They strongly favor a switch from Citizenship Based Taxation to Residency Based Taxation.

We are asking for:

- An exemption from reporting income generated in our countries of residence;
- Straightforward criteria for establishing eligibility for the exemption;
- No overly punitive exemption application processes or costs;
- Provisions to prevent high net worth migrants from using offshore residency as a tax avoidance mechanism;
- Americans living abroad exempted from reporting income generated in their country of residence would still report their US-source income;
- Americans living in the US would not be exempted from reporting income generated outside of the US.

Further, Democrats Abroad reaffirms its request for the establishment of a Commission on Americans Abroad to study and reform laws and regulations that have unintended adverse consequences for us (H.R. 2710) and for an exemption for Americans abroad from reporting on the financial accounts we hold in our country of residence (H.R. 2136).

Democrats Abroad and other online resources on Residency Based Taxation (RBT):

- RBT Frequently Asked Questions <https://wiki.democratsabroad.org/display/TTF/RBT-FAQ+Frequently+Asked+Questions>
- Can We Please Stop Paying Twice – non-resident tax payer research <https://wiki.democratsabroad.org/download/attachments/17076519/Can%20We%20Please%20Stop%20Paying%20Twice%20-%20Reforming%20the%20U.S.%20Tax%20Code%20for%20Americans%20Abroad.pdf?api=v2>
- Can We Please Stop Paying Twice research - one page summary <https://wiki.democratsabroad.org/download/attachments/17076519/Can%20We%20Please%20Stop%20Paying%20Twice%20-%20Research%20Report%20Summary.pdf?api=v2>
- Making the Case for a Switch to RBT <https://wiki.democratsabroad.org/download/attachments/17076519/Can%20We%20Please%20Stop%20Paying%20Twice%20-%20Research%20Report%20Summary.pdf?api=v2>
- A Model for Implementing RBT <https://wiki.democratsabroad.org/download/attachments/17072672/A%20Model%20for%20Residency%20Based%20Taxation%20November%202017.pdf?api=v2>
- American Citizens Abroad revenue-neutral RBT proposal <https://www.americansabroad.org/news/aca-and-acagf-announces-tax-reform-revenue-estimate-analysis/>

For more information message us at TaxationTF@democratsabroad.org