



DEMOCRATS ABROAD

The Honorable Orrin G. Hatch
Chairman
Committee on Finance
United States Senate
219 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Ron Wyden
Ranking Member
Committee on Finance
United States Senate
219 Dirksen Senate Office Building
Washington, D.C. 20510

Democrats Abroad
PO Box 15130
Washington, DC 20003
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The Honorable Kevin Brady
Chairman
House Ways and Means Committee
1102 Longworth House Office Building
Washington DC 20515

The Honorable Richard Neal
Ranking Member
House Ways and Means Committee
1102 Longworth House Office Building
Washington DC 20515

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21 November 2018

Dear Chairmen Hatch and Brady and Ranking Members Wyden and Neal,

As you are aware, new tax provisions in the Tax Cuts and Jobs Act related to the introduction of Territorial Taxation for Corporations have put an unbearable tax burden on taxpayers who are individual shareholders in controlled foreign corporations. The Repatriation Tax and GILTI Tax will force many Americans living abroad who own companies in the countries where they live and work to close their businesses.

We know that this was not the intention of the law; we urge you to implement this remedy in a TCJA technical corrections bill and pass it in the lame duck session:

- (i) Provide individual US shareholders in controlled foreign corporations with the deferral afforded to individual shareholders who hold their business interests in an S corp, provided in IRC 965(i).
- (ii) Provide individual US shareholders in controlled foreign corporations who make the IRC 962 election with the same dividend deductions afforded to corporate shareholders of controlled foreign corporations.

Of course, the most simple approach to providing transition tax relief for Americans abroad who own small to medium sized companies in their countries of residence is to add a de minimis provision to the 965 regulations, available to individual shareholders who satisfy the non-residency conditions of IRC 911.

For reasons which include local language proficiency and work culture Americans abroad often struggle to find positions when they move abroad and so they start up their own businesses. 2014 research by Democrats Abroad indicates that 20 percent of Americans living abroad work for themselves or in an enterprise they own. Estimates suggest voting age Americans abroad number 6.5 million, which means that more than 1 million Americans abroad - and their families - will sustain serious financial harm if there is no action taken by Congress to provide transition tax relief. Please don't let that happen.

Further, you can provide much needed relief to all Americans abroad from the many areas of the Internal Revenue Code that discriminate against them by enacting a switch from Citizenship Based Taxation to Residency Based Taxation.

Thank you.

Sincerely,

/S/
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