

## Expats feel ignored as they struggle with tax issues

By Aaron Lorenzo

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Americans living abroad want big changes to how they are taxed by the U.S., but they're struggling to find enough supporters in Congress to take up their cause.

Expatriates have been trying for decades to convince lawmakers that they should only be taxed on income that comes from U.S. sources. Currently, they pay taxes on all their income, no matter where in the world it's earned.

Advocates for switching to what's called residency-based taxation argue they're unfairly double-taxed — once by the country where they earn the money and again by the U.S. — and that's just the start of their grievances.

Some expatriates' income gets excluded from U.S. tax and some qualifies for a credit, but there's no benefit for paying value-added taxes, which common abroad, or social taxes and wealth taxes that some countries impose. They also get taxed on retirement accounts that are tax-free overseas, as well as for investing in foreign mutual funds.

At the same time, expatriates say they face new challenges from the 2017 tax overhaul, [H.R. 1 \(115\)](#), including its transition tax on repatriated cash and minimum tax on foreign business income, and are still struggling to comply with voluminous paperwork requirements instituted during the Obama administration.

Another group, self-described "accidental Americans," complains about having to pay U.S. taxes even though they have only tangential ties to the country, such as being born here but only briefly residing in the U.S.

It all adds up to making the U.S. system a global outlier, with the nation of Eritrea the only other country that also taxes expatriates based on citizenship.

"The problem time and time again is that there aren't enough members in Congress willing to prioritize American abroad issues," said Rebecca Lammers, a U.S. citizen who's lived in London for a dozen years. "The more Americans abroad who let their voices be heard through voting absentee and contacting their members of Congress, the sooner we'll change that."

Lammers, a small business owner pushing to end what she calls tax discrimination, advocates for residency-based taxation through a group called Democrats Abroad. She's organized gatherings in London for hundreds of Americans there to share best practices and hear from accountants, financial advisers and lawyers on staying compliant with U.S. tax laws.

The meetings also serve as a venue to discuss tax advocacy efforts in Washington, where Lammers has traveled with other expatriates to make their case face-to-face with lawmakers and their staffs.

The few members of Congress who have taken up the expatriates' cause have had trouble getting traction for their legislation.

One bill would address many of the issues for the 9 million Americans the State Department estimates live abroad — legislation for residency-based taxation, [H.R. 7358 \(115\)](#), introduced in the last Congress by Rep. [George Holding](#) (R-N.C.).

But the Ways and Means Committee member just announced he's retiring from Congress next year, and other current legislation that would offer some benefits to expatriates doesn't do as much as Holding's would. Instead, they're more focused on cutting down bookkeeping obligations.

Before announcing his impending retirement, Holding had said he was seeking a Democratic co-sponsor before officially introducing his bill again. He also said he wanted to secure support from large corporations that operate across borders, believing the legislation would benefit them by lowering their costs to send Americans overseas to work for them in certain positions rather than hiring locally, and generate some diplomatic upside in the process.

It costs a U.S. multinational about 40 percent more on average to send an American employee abroad under the current system than to hire locally, Holding said.

"If we had residency-based taxation, they wouldn't have to do that when they want to place Americans abroad," he said. "It's good for Americans because we would have more Americans working abroad, and that's good for soft power."

So far, though, there's been more appetite among lawmakers to help expatriates trim their paperwork responsibilities — compliance is generally costlier and more time consuming than for citizens who live stateside. Expatriates file tax documents even if they don't owe U.S. taxes, mandates mostly connected to curbing tax avoidance by the Foreign Account Tax Compliance Act that former President Barack Obama signed in 2010.

Some relief could come from legislation meant to lower hurdles that expatriates face with their bank accounts abroad — [H.R. 4362 \(116\)](#), from Rep. [Carolyn Maloney](#) (D-N.Y.). It would let American citizens who are certified as bona fide residents elsewhere more easily access foreign banks, some of which have stopped doing business with them due to reporting requirements to U.S. authorities that have increased over the past decade.

"It's important because so many people are living abroad now, and we need to be sensitive to it," said Maloney, who's picked up a handful of co-sponsors.

Similarly, Sen. [Sherrod Brown](#) (D-Ohio), on a recent conference call, offered help to several dozen Ohioans living overseas, including Lammers, for all their paperwork requirements and asset reporting rules, according to a participant in the call.

But publicly, Brown's office wouldn't directly address expatriate tax issues and declined to share details from the private conversation. Brown is focused on rolling back elements of the 2017 tax overhaul that he believes harm middle- and lower-income Americans, his office said in a statement.

One part of that law, obligating taxes on overseas profits for which deferral was previously an option, is forcing Americans abroad to scramble to find cash to satisfy that bill, even with an eight-year period to pay it, Lammers said.

Some have begun liquidating retirement accounts as a result, she said. A lawyer who works with the advocacy group American Citizens Abroad, Glen Frost, said a client of his liquidated U.S. stock holdings to cover the repatriation tax.

In addition, non-corporate businesses owned by expatriates face taxes on their global intangible low-tax income, or GILTI, regardless of company size, but don't qualify for a 50 percent deduction corporations get for income characterized as GILTI. The same non-corporate businesses might lose out on a tax credit corporations also get.

Frost said that setting an income threshold for the repatriation and GILTI provisions could save a large swath of business-owning expatriates from complex tax filings.

Beyond Maloney's bank-related bill, she has also introduced legislation to set up a commission to study tax issues that U.S. citizens deal with when living abroad, [H.R. 4363 \(116\)](#). She agreed that corporate support would help but said she hasn't heard from big business, and admitted that further steps look unclear given the ongoing impeachment focus in Congress.

"It's a big issue and I'm going to have to work on it, but right now we're focused on impeachment," Maloney said.

American Citizens Abroad, which has also pressed Congress on residency-based taxation, has requested a Ways and Means hearing on taxes paid by expatriates, but the panel has put nothing on its calendar yet.

"The problem has a lot of tentacles and really goes quite deep," said Marylouise Serrato, executive director of the group.

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