



DEMOCRATS ABROAD

Senator Charles Grassley
Senator Mike Enzi
Senator Debbie Stabenow
Senate Finance Committee
Tax Reform Working Group – Individual Income Tax
Individual@finance.senate.gov

April 14, 2015

Democrats Abroad
PO Box 15130
Washington, DC 20003
USA

DemocratsAbroad.org
VoteFromAbroad.org

Dear Senator Grassley, Senator Enzi and Senator Stabenow,

Re: *FATCA Safe Harbor for Americans abroad*

The U.S. Congress has taken unprecedented steps in the last five years to make it more difficult for Americans to use offshore accounts to avoid paying tax or to launder money. FATCA is an important device for discouraging and apprehending those Americans seeking to evade taxes and has become the blueprint for international programs established to ensure that all citizens, regardless of wealth, are held to the same standard of tax compliance. Further, FATCA is changing banking practices in jurisdictions that have for many decades made a business of facilitating illegal tax avoidance with the use of secret offshore accounts.

Democrats Abroad wishes to express our concern, however, about the impact that FATCA is having on law-abiding U.S. citizens living abroad. Our research¹ indicates that, due to the reporting requirements FATCA imposes on non-resident citizens and the financial institutions where they hold accounts in their countries of residence, their financial accounts are being closed, their relationships with their non-American spouses are under strain and some are being denied promotion or partnership in businesses, causing some to plan or contemplate renouncing their U.S. citizenship.

For Americans abroad, it appears that the mere fact of having financial accounts in their countries of residence is subjecting them to levels of scrutiny reserved for suspected tax evaders. FATCA was never intended to target ordinary, law-abiding citizens who happen to live outside the U.S. nor cause foreign financial institutions to stop providing service to them. The everyday accounts they hold in their countries of residence are an essential part of their lives and are highly unlikely to facilitate tax avoidance. FATCA reporting has the greatest potential for success if it is focused on the offshore financial accounts of Americans who live in the US.

We therefore support the establishment of a **safe harbor from FATCA reporting for tax-compliant U.S. taxpayers with respect to accounts they hold in financial institutions in the country in which they are *bona fide* residents.**

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¹ "FATCA: Affecting Everyday Americans Every Day" published by Democrats Abroad, September 2014. <https://www.democratsabroad.org/group/fbarfatca/democrats-abroad-publishes-fatca-research-fatca-affecting-everyday-americans-every-day>

This reform would expand tax compliance and eliminate FATCA reporting that is of no use to tax enforcement efforts - though is extremely costly for the IRS in terms of material and human resources.

Further, we take the view that provisions like the **FATCA safe harbor for non-resident citizens** who are tax compliant serve as refinements to the law which will enhance its effectiveness without altering its original purpose or intent. As such, we believe this provision can be implemented via a regulatory change to the FATCA compliance guidelines and does not require a legislative instrument. We urge the Individual Income Tax Working Group to give consideration to this FATCA reform which would remove the enormous burden that FATCA reporting has placed on everyday Americans living abroad.

Sincerely,
Kathryn Solon
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Attachments:

Democrats Abroad FATCA Position Paper

Democrats Abroad 2014 FATCA Research:

Report "FATCA: Affecting Everyday Americans Every Day"

Executive Summary "FATCA: Affecting Everyday Americans Every Day"

Research Datapack

"Stories of FATCA – Affecting Everyday Americans Every Day"