

Input to individual income tax and international tax (two separate emails, but same input)

Individual@finance.senate.gov; International@finance.senate.gov 14 April 2015

Dian Grossman Kjaergaard

██████████ Korsor, Denmark

██████████, ██████████ (mobile – I don't have a land line)

I am an American citizen and tax subject who has lived and worked in Denmark as a bonafide resident continuously since 1978. The only economic or financial activities I have are either in Denmark or in the US. I report on the US items as any other tax subject does. And if I had items outside of these two countries I would of course expect to report foreign engagements as foreign. But it makes no sense to treat the engagements I have *where I live* as if they are foreign. For me, there are in no way foreign – they are just a part of living in a modern society. But I am subject to a slew of burdens which must be carried under threat of severe penalties. For example:

- Digging up maximum balance during the year of every bank account and securities account (FBAR)
- Additional reporting on other financial assets (8938 - FATCA) that overlaps with the FBAR although subject to different definitions and rules – e.g. value at the end of the tax year rather than maximum, and using a different exchange rate.
- Struggling to understand and keep track of when the Foreign Earned Income Exclusion is used – what a blessing to be retired now!
- Complicated calculations for foreign tax credits with challenges matching income and taxation categories between the two countries (form 1116). The Alternative Minimum Tax (AMT) must be calculated several times. Calculations of tax credit carry-overs are a hassle. And to boot, the value of the tax credits seems to be decreasing, resulting in *de facto* double taxation despite the treaty between Denmark and the USA.
- No relief for the kinds of extra taxes that are imposed in Denmark, for example, I receive gifts from my family that are not taxable in the USA, but on which I pay about 37% tax in Denmark.
- Struggling with incomprehensible rules about my pension plans, both in connection with the contributions made by me and my employers, growth in the cash value, and payouts to me – simply because the USA refuses to treat my pension plans in the same way it treats completely comparable plans in the USA. And again, double taxation results.
- Spending time and energy on exchange rates between Denmark and the USA, and sometimes actually incurring foreign exchange risks.
- Having to pay an accountant to get through all this – this is bizarre, because my finances are usually so simple that professional services should be unnecessary.
- Being at risk of not being able to get (or keep) bank accounts or pension plans because of the onerous reporting requirements stemming from FATCA, and which would be much less onerous if the financial institutions could treat all bona fide Danish residents the same way regardless of their citizenship.

I am a member of the American Women's Club (AWC) in Denmark, affiliated with FAWCO (Federation of American Women's Clubs Overseas). For the past four years I have headed a small group of volunteers who share tax information and help individuals deal with their USA taxes as well as with the unfortunate interplays between Danish and US taxation and reporting. We haven't heard about any nervous breakdowns (which doesn't mean there haven't been any) – but we have seen a lot of anxiety and quite a few people just giving up, doing the best they can to "hide from the Feds" despite our warnings about how disastrous this can be. We have had many discussions about renouncing US citizenship as a last desperate move – but the requirements for doing so are both difficult to grasp and potentially very expensive, not only for the citizen, but also for any heirs she or he has in the US.

I am also a member of American Citizens Abroad (ACA), and their proposal on residency-based taxation (RBT) make a lot of sense to me. They have also worked with a proposal for "Same Country" exemption from the reporting requirements imposed on individuals and financial institutions by FATCA. I hope very much that these proposals will be used as a point of departure for the kind of dramatic reform that would save several million expat US- tax subjects time, money, and anxiety.