Jared W. Braslawsky
[redacted]

March 27, 2015

Individual Income Tax Working Group
International Tax Working Group

The United States Senate
Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510-6200

Dear Members of the United States Senate Committee on Finance,

I wake up every day thinking of my future. My fiancé and our coming marriage, the house we will buy and the children we will have. I think about my work as well, the career I will lead and the impact I will have on this planet and future generations. I also consider my financial security, the ability to provide for my family, my savings and my future retirement. The road ahead of me is free and I welcome unexpected deviations and detours but the current U.S. tax policy makes me fearful of my own government and is the biggest question mark on my future path.

In 2008 I graduated from Indiana University with a B.A. in Political Science and a B.S. in Environmental Sciences. The recession was just taking hold and there was a growing concern among my peers of the shrinking job market. As more Americans were losing their jobs those recently graduated were all talking about next steps. I knew my next step, get a higher degree and get back into the workforce when things were starting to get better. Later that year I moved back in with my parents, got a job as a valet and started to apply for graduate school. I sent in applications to a number of American universities, but that wasn't enough for me. You need a uniqueness to make it in the increasingly competitive workforce. I started applying to foreign universities in China, Germany, Australia and The Netherlands to be slightly different than my peers. In 2009 I started a Master's degree in Energy Sciences at Utrecht University in the Netherlands.

I always had the plan to come home, I still do, but life gets in the way. Now I'm 29-years old and work for a small organization attempting to harmonize electricity regulations across the European Union and around the world. I often work with U.S. organizations and government authorities including the U.S. Department of Energy and the U.S. Environmental Protection Agency – both of whom have suggested positions for me within their organizations due to my unique knowledge of international regulations. In the last two-years I have built up the reputation as 'the American that knows European regulation' and I am often invited to speak at conferences in the States.

This feeling of being an American has followed me to Europe, but so to have its tax laws. America is the only first-world country on the planet that has citizen-based taxation (CBT), an antiquated law originating from the American Civil War. This requires all Americans, regardless of residency, to report their income, foreign and domestic, to the Internal Revenue Service. This may have been logical in the past but today the complexity of compliance results in an expensive and unnecessary burden on all Americans abroad. I file more than 30-pages of information to inform the IRS that I owe no U.S. taxes on my 50,000 USD equivalent income. The complexity is enormous in your attempt to avoid double taxation; being trapped between two extremely different tax-regimes is a uniquely difficult.

Temporary and permanent expatriates are uniquely familiar with the website of FinCEN, the Financial Crimes Enforcement Network. On the FinCEN disclosure website citizens must report all their foreign bank accounts if the total value was above 10,000 USD equivalent during the calendar year. This requirement is known as FBAR or Report of Foreign Banks and Financial Accounts. The fact that the FBAR is part of FinCEN makes every American abroad consider how their government, their home, looks at them as financial criminals for having a foreign bank account. FBAR penalties are draconian, 10,000 USD for non-willful violations, meaning 10,000 USD for a mistake. Even worse is that one must also report the accounts where they have no financial interest and just signature authority, such as work accounts. Foreign corporations are learning of these obligations and demoting American employees because of the indirect disclosure of corporate accounts through the individual's personal reporting requirements. Willful failure to disclose these accounts results in civil and criminal penalties which can include fines of more than 100% of the accounts value and 5-years in prison.

Finally we have the combination of FATCA and CBT. FATCA, Foreign Account Tax Compliance Act forces non-U.S. banks to report to the IRS the account balances of their American clients. Noncompliance by the bank results in huge penalties being levied on the bank's direct and indirect U.S. assets. In order to avoid compliance problems, banks in Europe, and around the world, have decided to no longer work with American citizens. This limits Americans' financial options in an increasingly competitive world. Next year I will buy a house but many local foreign financial institutions will not provide me a mortgage, as I am an America.

The most difficult aspect of this all is that America's tax law is destroying my family's ability to have long-term financial security. Pension accounts in our country of residence are not recognized by the U.S. government as acceptable retirement accounts. So while the U.S. demands we pay taxes on the growth of the account, the foreign government taxes the eventual distributions from the account, a mismatch that results in double taxation.

I think of U.S. taxation every single day. It has become the most integral part of my identification with America. I am forced to annually file form 5471, which the IRS estimates will take 32-hours to complete, to disclose my 15% ownership in a foreign company. I must consider exchange rates before selling my foreign home because house sales are not taxed in my country of residence but are taxed in the U.S. I must analyze my retirement accounts and hope that no mistake results in the end of my financial security. I cannot invest in foreign financial funds because of punitive PFIC regulations.

The U.S. is providing a clear signal that being an American abroad is unwanted, unneeded and even criminal. In an ever-growing need for America to remain globally competitive it seems that citizens like myself should be supported.

Stop citizen-based taxation. Review the proposal from American Citizens Abroad to introduce residency-based taxation, the international norm. Residency-based taxation will increase American's competitiveness, reduce governmental costs and significantly reduce the burden on Americans indirectly working for America's benefit abroad.

Thank you for your consideration and prompt attention to my concerns,

Sincerely,

Jared Braslawsky

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