

Why the US should eliminate CBT

Given that:

- Countries legitimately tax the income of their residents to allow financing of government and of infrastructure;
- The United States follows the international standard of Residence-based Taxation (RBT) of both citizens and aliens residing on its soil;
- In addition to RBT, the United States has also chosen to apply an archaic law of Citizenship-based Taxation (CBT), which was introduced during the American Civil War in order to punish deserters;
- CBT requires Americans residing abroad to file yearly revenue declarations to the US Internal Revenue Service (IRS), even when they have no assets or earnings from US sources;
- Americans residing abroad pay income tax in the countries in which they reside, often higher than they would in the US, and the great majority end up owing zero taxes to the US;
- It would be more cost-efficient for the IRS to use its resources for collecting RBT than for registering the declarations of Americans residing abroad;
- The IRS has moreover greatly reduced its services overseas and is therefore unable to advise Americans residing abroad;
- Due to the complexity of the US tax system, the majority of Americans abroad are not qualified to fill in IRS revenue declarations without errors; and those who cannot afford the services of international lawyers live in constant fear of heavy fines;
- Americans residing abroad are not able to save for their retirement or dependents without risk of losing their savings, due to different tax laws in the US and in their host countries;
- Recent cases of US taxation of US persons abroad - such as London Mayor Boris Johnson (a UK citizen who was born in the US but who left at age 5) or the Canadian mother who created a trust fund for her handicapped son - have caused international uproar;
- The estimated 7.5 million Americans residing abroad do not benefit from any services from the United States to justify taxation;
- Unlike countries like France, the US does not allow expatriates to have specific representatives in Congress;
- One of the founding principles of the US was that taxation without representation is tyranny;
- The only benefit of citizenship available for Americans residing abroad is the right to vote in federal elections - but this is not a valid reason for taxation, as the 24th amendment to the US Constitution prohibits the dependence of voting right on taxation;
- The only countries in the world to tax their diaspora are the USA and Eritrea, a small military dictatorship (sometimes referred to as the North Korea of Africa), which is not a very flattering comparison for the US;
- There is a PRECEDENT of Eritrea being condemned for this by both the United States and the United Nations, which qualified diaspora taxation as a form of extortion;

I urge you to eliminate CBT in the US tax code before it harms any more Americans with residence abroad. When a law is clearly unjust, it needs to be changed.

I am no expert in taxation or laws, but I think that the proposal made by the Issac Brock Society is both clear and simple. The US could eliminate CBT by simply erasing references to citizenship in the tax code: the terms "citizen or resident" should be systematically changed to "resident", and "nonresident alien" should be changed to "nonresident" wherever they appear in the text. A few other provisions should be eliminated for consistency (e.g. Reed Amendment, FBAR redundant with FATCA). As a result, the tax code should also become simpler and shorter.

Thank you for your attention and for making the US tax code simpler and more just.