[redacted]
Canada B3A 2T4
April 15, 2015

SUBJECT: International Tax Group
Citizenship based taxation and Foreign Account Tax Compliance Act (FATCA)

Dear Senators Hatch and Wyden:

My name is Melvin L. Cross, my email address is [redacted], and my phone number is [redacted]. I was born in Montana, and I continue to use my (deceased) mother's address in Glendive (59330) when I cast absentee ballots. I have lived and worked in Canada for nearly 40 years. I sent a separate submission to the Individual Income Tax Group. I am writing this letter to say that I think the tax code America applies to its citizens who live abroad is contrary to its global interests.

The United States has used FACTA to declare unilaterally that the financial industry of every nation must identify all its American clients and then report details of their accounts to the Internal Revenue Service. As an alternative, each nation can sign an Intergovernmental Agreement (IGA) with the U.S. Under terms of an IGA, each Foreign Financial Institution (FFI) will report the details of accounts held by its American clients to its own national tax agency. The national tax agency will relay the information it receives to the IRS. Compliance is costly for FFIs and foreign governments; nevertheless, governments are signing IGAs – better to endure the smaller cost arising from compliance than to not comply and face the much larger cost of fines, penalties, and isolation from the US capital market.

Actions that prevent tax evasion or close avenues to launder money are most appropriate and appreciated. However, when citizenship based taxation is combined with FACTA, undesirable side effects arise. They create a global vested interest in developing capital markets that are insulated from the American dollar. The euro and the renminbi are the currencies other than the dollar that are most likely to serve as international reserve currencies. Neither are likely to become significant international reserve currencies in the near future. The economic problems of the European Union are well known. China's currency is not fully convertible. Also, China is unlikely to do anything that might reduce the value of the US dollar in terms of the renminbi because China wants not to reduce the value of the US treasury bills that it holds. And, if the renminbi appreciates, Chinese exports will be less competitive.

Nevertheless, there is cause for concern. A geopolitical shift to the east is developing. China, in particular, is becoming increasingly assertive. It has provided one of a number examples of its financial muscle by founding the Asian Infrastructure Investment Bank. Moreover, as China comes to understand the benefits of seigniorage that an international reserve currency provides, it will become more interested in establishing the renminbi as a reserve currency. Congress can reduce the incentives to form capital markets that compete with the U.S. by moving America from citizenship based to residence based taxation. American Citizens Abroad, a group that speaks on behalf of American citizens who live abroad, has submitted useful proposals to Congress about how to move toward residence based taxation.

Sincerely,

Melvin L. Cross
Melvin L. Cross