

Dear Members of the Committee,

My name is Stephanie Zocco. I am an American citizen living abroad continuously in Belgium and Switzerland since 1991.

I am writing today to give you my personal account on two tax issues that harm Americans living outside of the United States. These two tax policies are FATCA and the inability of Americans abroad to claim residency-based taxation. Our current legislative position on both of these issues harms the 7 million Americans living overseas and jeopardizes the trust that citizens have in our government to treat everyone fairly.

FATCA

The following **detrimental effects** have followed from this legislation:

- 1. Americans residing abroad have been asked to leave local banks** where they had relationships and banking history, (some for years). Many of these closings have been experienced by Americans with small to middling amounts in their accounts. American accounts with average amounts are simply not worth the trouble for local overseas banks. It is far easier for banks to close an American account or refuse to open one, than to deal with the onerous regulatory and administrative burdens imposed by FATCA.
- 2. Americans residing overseas are now unable to take loans in their names** for small businesses and mortgages. Once again, banks do not think that offering these basic type services to Americans is worth the difficulty.
- 3. Americans living overseas are denied investment opportunities** in connection with their banking accounts. Those Americans who have managed to retain banking services have found themselves unable to invest in any interest accruing programs. In some cases, they face exaggerated account fees simply to retain the most basic of banking services.
- 4. Americans living overseas are being excluded from company boards, trusts and start-up/entrepreneurial ventures** because they are unable to have a normal relationship with local financial institutions.
- 5. American women who have married foreign men have been made especially vulnerable by FATCA.** FATCA is forcing married, non-working American women and mothers to live without a financial identity. During some of the most important years of their lives, these American women have no bank accounts, no credit record and no investments in their own names.
- 6. Dual nationality children are under intense pressure to renounce US citizenship at age 18.** Their families fear that should they continue to reside outside of the US as adults, they will be unable to start companies, assume

leadership roles in businesses, buy property or inherit family businesses. In an increasingly global world, we need more (not fewer) Americans who can integrate seamlessly in international environments. It is madness to lose these future citizens because of destructive tax policies.

7. FATCA unfairly singles out a small sub-set of Americans for extraordinary financial disclosure and extremely costly regulatory compliance. Targeting a small minority of Americans in such an extraordinary manner lacks proportionality and basic fairness. One could make the argument that in this respect the FATCA approach should be considered unconstitutional.

THE URGENT NEED FOR RESIDENCY-BASED TAXATION

The current US policy of taxing citizens on a world-wide basis was adopted during the American Revolution to prevent British loyalists from transferring their wealth out of the US colonies. Some 300 years later, we no longer need this policy. The United States and Eritrea are the only two countries in the world to subject their citizens to the burdens of distorted and double taxation that often occur in world-wide taxation.

With over 7 million Americans residing outside the United States in 2015, we need to update our tax policy. We need to respect the local economic conditions of the countries where Americans live and work. Every country and city in the world has its own unique economic conditions and corresponding tax levels. These conditions take into respect the balance between the cost of living and taxation. In a local economy, taxation can be levelled in a way that is balanced and fair.

On a world-wide basis, there is no way to achieve balance. Tokyo is different from San Paolo. Zurich is different from Cairo. All four are different from Atlanta. Without residency-based taxation, the risk of distortion and double taxation is especially high. For example, consider the double taxation scope for Americans who live in countries that level VAT and wealth taxes. Americans are being subjected to a taxation burden that no other citizens in the world have to endure.

I will close my message today by asking you to please support the small minority of resident-overseas Americans with the following tax policy changes:

1. Please repeal FATCA

2. Please change the definition of a US person in section 7701 (a) (30) of the federal tax code to provide a *bona fide* residence/physical presence test that would allow deserving Americans to qualify for

residency-based taxation.

Americans residing overseas are fantastic assets to our country. We serve as unofficial ambassadors, partners and friends with people all around the world. We bring the best qualities of our American culture to the countries where we are living.

The two tax changes I have mentioned above are critical to help us function successfully in our local economies around the world. Please help us to be treated fairly by our tax code. With these two simple tax policy modifications, Americans overseas can remain productive, competitive and continue to be leaders in our businesses and communities.

Respectfully,

Stephanie Zocco