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Finance Committee - Bipartisan Working Group on International Tax
United States Senate, Washington, D.C. 20510
United States of America

Dear Senators,

My name is Thomas Stratton and I am a US citizen voting in Ohio. I reside in Luxembourg where I work as an engineer for the European division of an American manufacturer. I support enthusiastically the bipartisan efforts of this committee to improve the tax code and am thereby responding to the Committee's request for public comments. Since I moved abroad I have learned about the burdens faced by US citizens living overseas in preparing and filing their US taxes, especially those who are working middle-class jobs and earning average incomes. I wish to comment on the two most crucial in my opinion: Citizenship-Based Taxation (CBT) and the FBAR.

A major impediment to Americans living and working abroad is the double taxation and filing under CBT. Under CBT, millions of American citizens overseas have to file complex returns, more complicated than almost all US residents, even though 82% of those required to file do not have any tax liability and 62% have salaries below \$85,000. Shifting to residence-based taxation (RBT) as practiced by every other country would relieve Americans abroad by removing possibilities for double taxation, increasing tax receipts (by imposing non-resident withholding), boosting exports, and freeing overseas citizens from a heavy burden in time and expenditure (for qualified tax preparers). Under RBT, American citizens abroad would be taxed on the same basis as nonresident aliens through withholding taxes on passive US source income; income earned in the United States would require filing a 1040NR. The RBT initiative proposed by American Citizens Abroad provides further detail on a framework for this system.

In addition to the complex requirements of CBT, Americans abroad are required to report the account numbers and full balance details of all financial assets to the Treasury Department's Financial Crimes Unit through the TD F 90-22.1 "FBAR" form, at the threat of massive financial penalties for even minor non-compliances. This program, intended to go after wealthy tax cheats, residing has instead devastated middle-class Americans overseas. Completing an FBAR consists of registering oneself in a law enforcement registry, as if the simple act of living abroad is a crime in and of itself. In alignment with the recommendations of American Citizens Abroad, I propose the following changes to the FBAR and the closely related IRS Form 8938:

1. Raise the reporting threshold for FBARs, which has not been increased from \$10,000 since the Bank Secrecy Act was passed in 1970. In 2015 the equivalent amount would be \$64,000. Future FBAR reporting thresholds should be indexed to inflation.
2. Integrate the filing of FBARs with Form 8938 and use the Form 8938 reporting thresholds for bona fide overseas residents. This would streamline reporting, and remove the stigma of "Financial Crimes" from millions of innocent Americans.
3. Eliminate the penalties for past non-willful FBAR and Form 8938 noncompliance for bona fide overseas residents. This would encourage those who have not been filing to enter the system and pay their tax obligations.
4. Review the effectiveness of the FBAR system in reducing financial crimes versus the costs to the government and taxpayers for compliance.

I would like to thank the Senators for their bipartisan support for taxation reform and wish them the best of success in their endeavor. Thank you for your time and attention.

Sincerely yours,
Dr. Thomas R. Stratton