

April 14, 2015

The Honorable Orrin Hatch
Chairman
The Honorable Ron Wyden
Ranking Member
Senate Finance Committee
United States Senate
Washington, D.C. 20510

Dear Senators Hatch and Wyden,

I write in response to your generous solicitation for ideas from interested members of the public and stakeholders on how best to overhaul the nation's broken tax code and thus to make it simpler, fairer, and more efficient. I write specifically pertaining to international taxation.

As an American citizen having lived in Switzerland for more than ten years with my spouse — also a US citizen — I have personal experience relating to the unjust nature of the current tax code as it relates to international taxation of US citizens living abroad.

I note by way of introduction that I work full time as a salaried employee in Switzerland and receive no salary compensation from the United States. Nevertheless, I have to pay nearly 10% in my salary income in US taxes (my wife and I pay between \$25,000 and \$30,000 US taxes annually) on top of the full taxes that I must pay the Swiss government as a full-time resident of Switzerland.

I request that the Senate Finance Committee adopt the American Citizens Abroad (ACA) proposal for reform to Residency-based taxation (RBT) as described at:

<http://americansabroad.org/files/6513/6370/3681/finalsbrbtmarch2013.pdf>

The current tax code for American citizens living abroad is a nightmare of randomly assembled tax regulations that could never have a hope of being reasonable because there is no way the US tax code could possibly be coordinated with the taxation systems of nearly 200 other countries in the world.

Below, I list just 3 of many concrete ways my spouse and I are harmed by the current situation:

- 1/ The complexity of a tax return for an American living abroad is so great that it is not possible for an individual to fill it in. In 2013, our tax preparation fee was \$3160.
- 2/ Like my US-resident compatriots, I have an employer-funded pension plan but because it is not an "IRS-approved" plan (i.e., it is Swiss) mine is taxed annually even though (i) I do not have access to it to pay the taxes, (ii) I have to pay taxes in today's dollars, and (iii) I have to pay the taxes when I am at my peak earning capacity (i.e., in a high tax bracket).
- 3/ The current Citizen-based taxation policy renders me highly sensitive to changing exchange rates. For example, although my salary has increased modestly since arriving in Switzerland, the weak dollar has led in recent years to an apparent 30% increase in income solely because a Swiss Franc was worth \$0.80 in 2004 and is worth \$1.05 in 2005.

Please seriously consider the RBT proposal promoted by ACA. A move towards a residence-based system, as is the case for the rest of the world, would not only be cost neutral for the US but would be simpler and fairer for Americans living abroad.

Yours sincerely,



Winship Herr
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