To: Senate Finance Committee

Date: 14/04/2015

Subject: US Tax Reform for American Expatriates

My name is Anthony Ugorji and I am an American citizen that has been living in the UK for the past 10 years. During this time, I've come to find the tax treatment of US citizens unnecessarily burdensome and unfair. As Congress considers tax reform, I would urge the committee to consider the following:

1) Citizenship-based taxation is an antiquated system and effectively punishes Americans for living abroad. No other country, save for Eritrea, incorporates this rule. ***Suggestion: Move to a residence based tax system with provisions which dissuade US-domiciled residents from employing off-shore tax shelters.***

2) Forcing expats to file increasingly complex forms does not generate additional revenue for the US; rather, it is clogs up an already overburdened IRS. Double tax treaties with the US generally result in no income tax due from Americans living in highly taxed countries. Why, then, are we asked to spend inordinate amounts of time and money when the IRS can neither offer us assistance nor handle the additional burden? IRS Commissioner, John Koskinen, stated recently that "five years of budget cuts has degraded the agency's ability to continue to deliver its mission both during the filing system and beyond".[i] The number of IRS walk-in offices has fallen from several across 13 countries in the '90s to virtually nothing today, while the complexity for expats hoping to keep compliant steadily increased. There is less help for filing expats, but continued threats of steep fines for late filings and / or mistakes. ***Suggestion: Allocate funds to re-establish offices to help US expats. Alternatively, apply Citizenship-based policies to citizens living in lower taxed countries and incorporate a broad safe-harbour for those living in higher taxed countries. This could save a lot of time on both sides, and refocus efforts on revenue generation for the agency instead of paper shuffling.***

3) Current US tax code prevent US-expats from planning for retirement effectively. Americans living abroad face current tax liabilities on certain foreign retirement plans which, once again, is a disproportionally unfair treatment towards citizens working and living abroad. I struggle to understand the logic underpinning rules which tax expats for saving for their retirement abroad when the same rules are not applied at home. ***Suggestion: Exclude retirement products from the tax net or change to residence based tax system.***

4) FACTA has prejudiced the treatment of Americans living abroad. Tax legislation that was meant to prevent Americans from using off-shore tax shelters has not taken into consideration the lives of 7 million citizens living abroad. The additional cost banks incur to keep compliant with FACTA legislation has caused several institutions to stop providing normal services to Americans abroad. It appears that the consequence of hunting for tax cheats at home is additional punishment for Americans working abroad. ***Suggestion: Scaled down FACTA requirements expats or implement FACTA exclusion for Americans verified to be working and living abroad.***

Sincerely,

Anthony Ugorji. [redacted]

[i] *C-Span. April 08, 2015. John Koskinen response to IRS budget cuts*