March 30, 2015

To: US Senate Individual Income Tax Working Group

Re: Taxation of US citizens living abroad

Dear Working Group,

Please consider the tax situation of US citizens living abroad. The current citizenship-based taxation is extremely burdensome, costly, and impossible for any layman to understand.

My family and I have lived in New Zealand for about 20 years, and have held NZ citizenship for twelve years. Our income is entirely generated from non-US sources--investments of savings but primarily non-US inheritances. We previously had earned income but that stopped due to years of earthquakes.

Because most of our income is based on investments, capital gains arise but are difficult to track because they are not taxed in NZ, so recorded differently. We pay very high New Zealand taxes with few deductions. Currency movements make the reporting of capital gains particularly problematic, and result in phantom gains; in other words, we realize no gains in New Zealand but have to pay taxes to the US as if we have made gains.

In addition, although we cannot take deductions on home expenses, we must pay capital gains tax on the sale of our primary residence, which has appreciated mostly because of currency movement.

It is extremely expensive and difficult to file accurate returns. We have had to hire the only US CPA in the country to file past returns, at a cost of over $50,000. In addition, lawyer's fees for advice and to represent us to the IRS have doubled the cost.

The requirement to annually file details of all accounts held off-shore is also extremely onerous and adds to accounting fees. It is only reasonable that we have accounts in our country of residence.

So, please, I urge you to change the taxation approach now taken toward US citizens living abroad and move toward residency-based taxation, which almost all countries have.

Thank you.

Sincerely,

Catherine Solomon
Christchurch, NZ
[redacted]