April 9, 2015

To: Individual Income Tax Bipartisan Committee
From: Ilona Klein (US citizen and US tax payer - Provo, UT)
Re: FATCA tax law – change to RBT (Residence Based Tax)

Dear Members of This Esteemed Committee,

Please change the IRS codes abroad (FATCA) to RBT (Residence-Based Tax).

The way it is now, CBT (Citizen-Based Tax) is having a terrible adverse effect on USA citizens abroad. Each year, thousands (!) of USA citizens living abroad are renouncing their USA citizenship due to FATCA, and this is not right. The number of USA citizens renouncing their citizenship has been growing exponentially in the past couple of years, because of FATCA and FBAR. The financial and emotional burden it causes to Americans living abroad is not what our country should stand for.

The huge majority of these USA expats are good citizens with relatively normal means who have decided to live their lives abroad. They are, for the most part, dual citizens (USA citizens + citizens of the country in which they have been living). They already file and pay their due income taxes in the nations where they live, as it should be.

My sister who lives in Rome (Italy), and is a USA citizen by birth, has decided to renounce her USA citizenship due exclusively to the hardships of FATCA. She was born in Ohio, and at the tender age of 7 (seven) years old, in 1964 she was moved to Italy as the result of a parental divorce. She had no say in the matter, of course, as she was a child. She grew up in Italy. She is a dual citizen (USA + Italy) since 1966. She has never returned to the United States since 1964. Not even to visit. During the 50-plus years that she has lived in Italy, she put herself through Italian nursing school, and has worked as a nurse within the Italian medical system. She has diligently and dutifully filed Italian income taxes in Italy, since the only income she has ever received stems from Italy. She has never received any income from the United States. She is a single mom who has raised by herself two Italian children. She lives modestly, and has never been in trouble with the law.

FATCA and FBAR have been an incredible burden for her, both financially and emotionally. She has needed to find a specialized (and they are expensive!) IRS-certified tax preparer in Italy who helps her file IRS income taxes, for income she has only earned in Italy and has already paid Italian taxes on. She cannot rely on IRS in Europe because the closest IRS office to Rome (Italy) is, incredibly, the IRS Bureau in Paris (France) which is 883 miles away by land transport, and open to the public only a few hours a week.

My understanding is that Eritrea is the 'only' other nation in the world that goes out internationally, looking for its citizens, and expects a tax return from them no matter where they live, even if the only taxable income they have is from abroad. How is it possible, politically and ethically, that our USA tax policy is aligning itself with the same thinking as Eritrea's? The whole rest of the world does not require this of its expats.

We already have treatises with most European countries: foreign income tax gets paid in the nation of residence. Why add the burden of FATCA to this?

Please, esteemed Committee: this is the only sibling I have, and we have grown apart on two different continents, I in the USA, she in Italy. I want nothing more than for her to be proud of her USA citizenship, and not have to renounce it because of the burdens of FATCA and IRS on USA expats abroad.

Please make taxes for USA expats Residence Based. Repeal, please, this cumbersome and ill-conceived Citizenship-Based tax for normal USA citizens abroad. I would think we want to go after the big corporations who are embezzling capital abroad. But not target the innocent USA expats who are also falling into this big FACTA net, and deciding to give up their citizenship! These are normal people like you and me, and my sister nurse. Please take a look at the numbers of USA citizens renouncing their citizenship, how it is escalating due to FATCA. This is not right. Help Americans live serenely their lives abroad, if they so choose.

Thank you for your kind consideration on this important matter. Sincerely yours,

Ilona Klein, Utah (USA citizen and US tax payer).