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 from my wife's family. 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, but this country has no capital gains tax, instead raising revenue from high sales tax and other quite high taxes with few deductions. Currency movements make the reporting of capital gains particularly problematic, and result in phantom gains. For example, a bond matured recently and our five years of income, plus some of the capital, was wiped out by currency movement, even though the money was never converted into US dollars but used for living costs in our country of residence.

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. This amount nearly exceeds any tax that was owed. In addition, lawyer's fees to represent us to the IRS have doubled the cost. Professionals are the ones who are gaining the most—the actual return to the US treasury is comparatively small.

The requirement to annually file details of all accounts held is also extremely onerous and adds to accounting fees. It is only reasonable that we have accounts in our country of residence. We live in fear that our banks will one day push us out as clients not worth the compliance risk from FATCA.

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,

James Barribeau
Christchurch, NZ
[redacted]