April 15, 2015

[redacted]
San Francisco, CA [redacted]

Dear Senate Working Groups for International Tax and Americans Abroad,

I read an article in the Wall Street Journal that Expats (or Americans affected by US tax laws) could submit input on bipartisan tax reform by April 15, 2015.

I wanted to offer my real-life experiences as an American abroad in the hopes that this can shed some light on the situation many of us are in if we choose to spend time outside the U.S.

I am a U.S. Citizen, originally from Orange County, California. My family on both sides has been in the U.S. for generations. My mother is a member of the Daughters of the American Revolution and can trace her genealogy back to the Mayflower Society. This doesn't really matter for the point of taxation, other than to point out that I in no way would want to not be thought of as not dedicated or loyal to the United States of America. If you do not get a lot of responses to your working group from Americans abroad, one reason is that the tax situation is so overwhelming, so scary, that people don't want to touch it with a 10-foot pole, much less put in writing their experiences or thoughts, fearing that could be put under a microscope, making things even more difficult than they already are.

I studied International Relations and studied abroad – to improve my language skills and get international experience. I really enjoyed my time there and returned to work for a German-American relations organization, followed by a graduate degree at Johns Hopkins. Many diplomats, both American and foreign, study here. After this, I had a fellowship from the Robert Bosch Foundation to return to German as an "American Young Leader" in German businesses, followed by work for several American technology companies in their international offices in Germany and then in London, United Kingdom. In the end, I was in Europe nearly 20 years. As part of this, I was always aware of American's taxation responsibilities. However, as I grew older and more responsible, the responsibilities carried with them a confusing, expensive and difficult burden. Here are some real-life examples:

1) Even though I never worked in the United States (almost 20 years), every year I needed to **submit my tax returns** reporting my foreign-earned income. There are **very few accountants that understand what needs to be done and carry** tremendous fees (sometimes $2000/year for a 1040), which is a lot of money especially as a young professional not earning a lot. This always required detailed tracking of all the days I spent per year in the United States.
2) I was **unable to build out any kind of investment portfolio abroad** due to the taxation rules in the United States. Investment in "normal" mutual funds (very popular in the United States) would carry excessive reporting and tax liabilities outside the United States, as it's considered a "PFIC" (Passive Foreign Investment Company). Other savings schemes (e.g. ISA (Individual Savings Account) in the United Kingdom were also disadvantaged due to US taxation rules.

3) I have had my **American financial advisors** (in Newport Beach California), longstanding advisors of my parents, tell me they could **no longer work with me** as my address was outside the United States and they didn't want the liability this would cause them.

4) I have had **foreign banks refuse me as a customer** (for normal checking accounts) due to my American citizenship and potential liability.

5) I have worked with several **tax advisors** in the US and the UK and even they **disagree on key points** that are important (especially regarding double taxation on foreign pensions and also equity holdings) as they struggle to interpret laws and their changes. As the rules get more complication and compliance trickier, the fees go up and up and up, becoming very expensive for Americans to get good tax advice, just to do basic tax submissions yearly. I calculate **I've spent over $20,000 on tax advice** during my time abroad, just to (try) to comply with US tax requirements.

6) I have recently returned to the US (transferring within my current company). The taxation advisory services are in excess of $5000, to comply with US regulations and sort through double taxation on income and equity (based on physical presence), as I split the year in the UK and the US.

7) I have to report my foreign bank accounts over $10,000 every single year with **draconian fines** if not complied with (FinCEN 114); this is a recent addition to the filing requirements, as well as FACTA. Luckily I know a lot of expats and we trade information, but it's hard to keep up with everything and the changes that are made!

Beyond the expense and complications required for Americans, it's the overarching feeling that you're being penalized to be abroad and that you are inherently untrustworthy. As a child of the cold-war and of universities promoting being a "global citizen", I feel I was living this dream, but every time tax season comes it's with fear and trepidation (and a big bill). Also, there is a feeling that no one in the US cares, because we aren't an important enough voting block (and not represented by a specific senator), so the laws and regulations just keep growing and getting more complicated.

I appreciate that you are looking at a tax reform. I am back in the US but I am writing this on behalf of all my friends abroad, and all young Americans that dream of studying and experiencing other parts of the world and hope that the United States recognizes the pain its causing its citizens in the rest of the world.

I would highly support changing the requirements of "US Persons" for tax purposes to have to file US taxes if they are living abroad (and not working in the United States) for 2-3 tax years.

I would also highly support changing the reporting requirements for "normal" citizens that have "normal" bank accounts in other countries.

I would highly support the US tax system changing to a residency-based rather than citizenship-based system. I think it's the only country in the world (besides, perhaps Eritrea), which taxes its citizens this way).

I'm not sure what the probability is to make changes, but I feel strongly about this issue and appreciate you taking the time to read this note.

Kind regards,
(via email)

Jennifer Davies
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