Dear Bipartisan Committee for Tax Reform,

I reaching out to you as an American living as a permanent resident abroad and the current US Citizen based tax code for expatriates.

I have been living in Switzerland as a permanent resident since 2007. Prior to that I was a permanent resident of Denmark from 2004 to 2007. I reside in Chexbres, Switzerland with my husband and 18-month-old son. We own a home, reside, work and pay taxes in Switzerland. I am an American, and my husband and son are Australian.

I am seeking your support in changing the current citizen based tax code for Americans living overseas from a citizen based tax code to a residency based tax code. Specifically, I ask for your support in changing the definition of a US person in section 7701(a)(30) of the federal tax code so that a US person who meets the bona fide residence/physical test for 2 to 3 years is no longer considered a US person for federal income tax and reporting purposes.

The financial and administrative burden that filing and paying taxes in two countries stretches and exhausts me, and this in turn affects the well being of my family—financially, mentally and emotionally.

Administrative Burden

Currently I spend on average 4 hours a month in tax off-season communicating to my 2 tax advisors (one in Switzerland and one in the US) managing my US tax returns, including FBARS and health insurance exemptions. Additionally I spend 6 to 8 hours a month in documenting expenses. When tax season comes, on average I spend 16 to 20 hours filing, reviewing and amending my US returns. I also spend an additional 10 to 15 hours on Swiss tax returns to ensure that they are filed correctly to prepare for my US tax returns.

What I spend in time per year on administrative tasks for US tax filings looks like:



OR



OR



OR



179 hours **7.2 days** **7% of 1 year** **1 wk. vacation**

This is on top of the admin time I spend in managing tasks related to having a home and a family in Switzerland—which is 10 hours a month. Critical administrative tasks to support my home and family in the country we live at times have taken less priority to make time to do US tax administration, and this has consequences for me. I have been late in filing paperwork with local banks and the local government, as

well as late in paying Swiss bills. This has resulted in late fines and warning letters. I have been late with filing US returns as my home life and related tasks have had to take priority as well. I have spent late nights trying to balance the two (US tax administrative requirements and the day to day administrative tasks to manage living in Switzerland) and I am exhausted with less energy to give to my partner, my family, my job and myself.

Financial Burden

The financial burden hits my family hard, and is magnified even more so now that I was laid off and have now spent a year looking for work. For 2014 I owe 13,386 in taxes and penalties, and spent an additional 3000 for 2 tax advisors—one for the US, and one in Switzerland who is partnered with the US tax person so they can file my returns correctly. I had to take this from my savings, which has been earmarked to support me while l look for work. This 16,386 in taxes and tax account fees are incremental to the taxes I already pay in the country where I have a residency permit, where I live and own a home, and where I work to support my family.

The financial burden impacts every area of our lives:

<u>Decreased ability to save money and cover day to day expenses in general</u>:
This scares me as finding a job has been difficult and my unemployment benefits will run out. It is already tough when I am working full time to save money for day-to-day expenses (let alone emergency funds and retirement). With paying taxes to a non-resident country (including penalties as filing our Swiss taxes are so complicated that I am delayed in filing in the US every year), on top of paying taxes in my residency country, I no longer have an emergency fund to support my family and myself should I be unable to find work.

The cost of living in Switzerland is highest in the world, with Geneva and Zurich always occupying the top three spots. Eggs cost USD 5 for a package of 6. Chicken breast is USD 30 per pound. Gasoline is USD 7.5 a gallon. Milk is USD 7 a gallon. The tax credit for expats (around USD 95,000) is unable to help, as the cost of living in Switzerland, compared to other countries, is the highest in the world.

It is hard to save money and pay for day-to-day expenses for my family. Childcare per child in Switzerland ranges from 3000 (part time) to 5000 (full time) a month, as several providers are needed when working (since we live abroad and do not have family to help) due to Swiss cultural norms-- schools close 1.5 hours at lunch everyday so the child needs to come home for lunch, daycare legally is 10 hours maximum per day, daycare closed three weeks at summer, schools close every week on Wednesdays, schools are only half day until age 8, etc. This is just childcare; this does not even touch the cost of school tuition, which can range from 12,000 to 30,000 a year in Switzerland.

Decreased ability to save for retirement:
I am frightened that I will lack enough money to support myself when I retire. With being taxed in the US on my legally required contributions to Swiss pensions, it reduces my ability to contribute more as I am taxed on all my contributions in the US, including my company's contributions. Therefore I choose to not maximize the allowable contributions to my pensions, as doing so decreases my tax liability in Switzerland, which then increases my tax liability in the US and therefore decreases the amount saved for retirement. This stresses me regularly.

Limited ability to save long-term when living in my resident country:
I am scared I will be unable to support my family in both short term and long term. As a US passport holder, I have been declined by banks to buy a home. I was declined by several banks and spent countless hours trying to find a bank to finance our home. This was demoralizing as cost of living in Switzerland is so high, owning a home cuts housing costs in half. I am limited as to what kind of accounts I can open, therefore decreasing my ability to save money for emergencies and day-to-day living expenses. Tax credits in Switzerland are not always transferable to the US; therefore I am increasing my tax liability in the US when I use standard Swiss deductions to save money.

I am unable to open savings accounts for my son and am unable to put away savings for him for neither primary school nor college. This has my partner and I stressed out, we often argue over this, as we are afraid we are unable to pay for his schooling once he becomes age 5.

What I pay in taxes to the US, plus penalties and fees for 2 tax advisors are 16,386.

What this looks like for us in day-to-day living:


OR


OR

OR


5.5 months mortgage | **5.5 months childcare for one child** | **one YEAR groceries for family of 3** | **two YEARS car payment**


OR

OR

OR


2 YEARS insurance premiums for me and my child | **10% of my gross salary (in addition to 27%) of my salary paid in Switzerland)** | **1 YEAR pension contributions** | **5 months school tuition one child**

In closing, as outlined above, the current tax code is impacting my family negatively in regards to time and finances. We just got an updated Swiss tax bill for 2012—when we married. Switzerland has a marriage tax penalty so we owe more upon review. We also got a daycare bill, a bill for my US accountant. Groceries need to be bought. We cannot pay them all. We need to choose one. If we skip the daycare bill we risk losing our daycare spot (where the waiting list for daycare here is in upwards of two years). If we skip the Swiss tax bill we get penalized. If we skip the US accountant bill my 2014 filing is delayed. It makes me sad that we are at the place now where we need to make these choices. It's too hard and depressing.

I am afraid if we continue like this, we must make choices that may harm my family—which slides: food, mortgage, health insurance? I still pay for childcare as we have no family to help, and per the unemployment rules I must look for work, attend government-sponsored classes, attend advising at career outplacement. I am nervous regarding my financial future and can I support myself in retirement. Balancing time spent with US taxes is overwhelming and affects me daily.

It is difficult with a US passport I am unable to take advantage of all benefits of living in Switzerland (limited access to banking, filling forms when going into surgery—yes, having a US passport requires legal waivers at the hospital!). Yet as I do not live in the US, I am unable to take advantages of all options in the US. It is double jeopardy, purgatory if you will, where I cannot participate in either society fully and therefore cannot invest and ensure my family's future. I feel as if I am waiting, on hold, for something. That something is relief. I am tired of feeling afraid.

Lastly, and admittedly, it is hard personally to see companies like Microsoft, Starbucks and Apple have blockbuster, billions upon billions in earnings in their overseas affiliates and not get taxed in the US, while people like myself who work hard to support our families and pay taxes in the countries we live in, are paying taxes in our non resident country to the detriment of our families' survival. I totally understand the need to track those who invest abroad yet live in the US, I agree they should be monitored and adhere to a stringent tax code as they live in the US. Everyday people like me feel like we are getting penalized in a large casted net intended to monitor those who are earning income invested overseas, who live in the US and may not be reporting this overseas earned income.

Please kindly consider changing our tax status. We are proud Americans to live abroad, expand and challenge our knowledge of life every day. We learn new languages to integrate and help our families. We go without support of our extended family. We live, have permanent resident status, work, raise our families and own homes in the countries we live in. It is hard enough to get by with the day-to-day costs of living, and having the added burden of paying and managing taxes in our non-resident country puts extreme burdens on our families.

Best regards,
Jennifer Rae Wenger, [redacted] Chexbres, Switzerland
[redacted] mobile [redacted]