ATTN: Individual Income Tax Reform Working Group

Dear Members of the Individual Income Tax Reform Working Group,

I am writing to ask that the American Citizens Abroad, Inc.'s proposal for reform from citizen-based taxation to residency-based taxation[1] be considered because the current worldwide taxation is not in line with other countries in the G20 or OECD and is negatively us as follows:

- **We are not provided the same opportunity to save tax-efficiently for our retirements as US citizens who are working and living in the US.**
    - Annual contributions into our Swiss pensions by our employers are required to be taxed in the year of contribution and not in the year we receive payments out of the account (ie, at retirement).
        - We must use cash now to pay taxes that US citizens working and living in the US are allowed to use to invest in their retirement (ie, we lose out on the time value of money);
        - Paying taxes now adds complexity to our annual tax compliance (ie, more compliance fees);
        - We could be double taxed as who knows what the tax laws will be in the US or Switzerland when we actually receive the distributions from our retirement.
        - Requirement to hold on to documentation to prove we do not owe US taxes on the distributions we receive in, perhaps, 20+ years.
        - FX exposure
    - Not able to participate in tax-efficient retirement funds, like IRAs, like US citizens working and living in the US.
        - A tax-efficient retirement plan in Switzerland increases our taxes in the US and vice versa

- **Rules are very complicated, making compliance costs expensive and the choice of advisors limited**
    - I am a CPA working in tax and I won't prepare our tax returns anymore because the rules and computations so are complex and changing that I worried I was exposing us to risk preparing them myself.
    - 3 years ago we paid CHF 2'268 for our US tax return to be prepared by a non-Big 4 firm in Switzerland (only Non-Big 4 firm one we found) even though our facts were very basic. We then needed an advisor to help with our Swiss tax return as well, which is added cost.

- **Discouraged from donating**
    - Any donations that reduce our Swiss taxes increase our US taxes. Then, in the US we use the standard deduction as not enough deductions to itemize; therefore, cannot deduct the donations made in the US.
    - Funds available to donate are greatly reduced by having to pay tax on the employer's contribution and on tax compliance fees.

- **US taxes has dictated normal life choices that US citizens living and working in the US nor people from other countries living in Switzerland have to deal with**
    - In addition to the comments above, US tax also dictates the following decision we make
        - Where we bank
            - We have to bank with the bigger banks (smaller banks do not want us), which means higher banking fees.
        - Where we live
            - We needed to choose our home based on where we could pay the most taxes, which meant lower rent costs. With residency-based taxation, the taxes we pay in a canton wouldn't matter because higher rent would be

[1] https://americansabroad.org/

offset by lower taxes paid in the Canton.

- Whether to buy a home
  - We would like to own our own home, but there is a good chance the deduction we take on the mortgage in Switzerland would be disallowed for US tax and increase our US taxable income.

- **Why?**
  - Why are we being punished for living and working outside the US?
  - Why must the rules be so complex for people like us who are living and working and trying to save for retirement, just like all our friends and family in the US?
  - Why must we pay so much taxes to the US (and we are already taxed in Switzerland on our worldwide income and use a lot of our cash to cover basic costs of living since Switzerland is an expensive country to live) when all we have in the US is some furniture in my parent's basement and my bank accounts from when we lived and worked in the US?

Please give serious consideration to the more logical residence-based taxation.

Yours sincerely,

Justin & Kassie Virden

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