Hays Littlejohn

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To: The committee on international taxation ,via email

I am an American citizen, 52 years old, living with my family in Switzerland for the past 19 years. I have been fortunate to find good employment here, after being transferred in 1996, originally for six months. The job is demanding and complex, but in many ways, compliance with the current US Tax regime, is a real nightmare. I am proud to be American, and believe that we bring a lot of value overseas for US and foreign companies we work for. Unfortunately, due to the complexity of our taxation system, we are often treated as persona non grata with respect to financial services, and increasingly, we are less attractive for employers looking for talent to be based outside the U.S.

The main issues as I experience them are:

- **Compliance uncertainty due to complexity, despite substantial effort**. Between myself and a number of specialized accountants, we spend over 50 hours per year collecting forms, calculating figures and filing. The U.S. Tax code is estimated at over 80'000 pages, and I have the feeling that it is basically impossible to be sure everything is always perfect. Furthermore, it is really hard for non-residents to keep up with all of the annual changes, and apply them without professional help.
- **Limited Availability of financial services for US persons abroad**. Just getting a bank account to support basic household needs is difficult and often requires a special visit to an Americans desk, in some other city. Investment services for long term saving are essentially *impossible* to get, without having large sums to invest, and then only with expensive US compliant teams which charge 1.5% of assets or more. The banks justify these positions on the compliance effort. Just finding willing banks requires many calls and hours of searching. No other nationality experiences this kind of discrimination, in my experience.
- **Limited availability of financial services in the US**. This may seem hard to believe, but US banks and brokerages generally don't want us either. I tried to open a brokerage account with Vanguard recently, and was denied due to my foreign address. This was apparently due to advisory/license concerns (not taxes), but since the natural response to lack of availability abroad would be for us to look in the good old US, you should know we have restrictions there too.
- **Double taxation, especially on mandatory pension schemes (paid out of current funds).** In Switzerland, like many other countries, participation in a employer-provided private pension scheme is *mandatory*. The US does not view this as a pension plan, and requires all contributions to be declared and taxed. This can exceed 30% of salary, and yet, since the funds are not accessible until retirement, the taxes must be paid out of current income. This is hard on cash flow. On top, the pension funds are *taxed again* by my host country at retirement.
- **When the US dollar is weak, relative to local currency, taxpayers get pushed into higher brackets, even when their income and expenses have remained stable.** This just makes no sense and unpredictably increases taxes.

- **Expensive and burdensome tax preparation required: FBAR, FATCA, PFIC, etc.** I have had to learn about various acronyms. The Foreign Bank Account Report, for example, requires a new filing every year, but only is balance exceeds $ 10,000. This is hard to figure out and the penalties are excessive. Besides, for those living outside the US, these accounts are usually not foreign. The PFIC rules apply to non-US mutual funds, and the tax treatment make owning such funds cumbersome, and US persons are advised against them. I'm sure this part of the tax code helps stop US-based offshore abuses, but for non-residents, it makes no sense, and makes it really difficult to have well diversified investments. FATCA repeats most information already found on FBAR.

For those of us trying to live normal lives overseas, tax season is filled with anguish and many hours of effort. Please make it fairer, and easier for us to comply. I think a residence-based approach, rather than citizenship-based, makes compliance much simpler. One simple idea I have heard would be to redefine US persons so that people who are truly living overseas, after a couple of years, and whose income, expenses and investing needs are primarily in the currency where they reside, are not considered US persons for taxation (section 7701(a)(30) of the federal tax code). I am told this could be done without major legislative effort and it would help a lot. Also, removing the double taxation of pension funds, by simplifying the qualification rules and handling would be a great step forward, and ensure less reliance on Social Security funds in the future. Finally, for US persons resident in a foreign country, it would be fair and simple to allow local accounts and relationships to be defined as local (as they are) and not "foreign" for US tax purposes.

Thanks for finally addressing this issue. It has been burning for the estimated 7 million of us living overseas for years.

Sincerely yours,

Mark Littlejohn