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April 13, 2015

Senate Finance Committee
By Email

Re: FATCA and Residence-Based Taxation

Honorable Sirs and Ladies,

I am an American citizen living in Canada, and like 6 million other American citizens residing outside the US, am subject to onerous and punitive consequences never intended by Congress when it passed FATCA. The intended targets were wealthy tax cheats who hid money in offshore accounts. Unfortunately, the act's language swept up low-income expatriates who don't even owe taxes to the US because of tax treaties. Although they were supposed to file returns most didn't, and until FATCA the IRS didn't go after them because there was nothing to gain.

But FATCA specifies huge penalties (tens of thousands of dollars per account) for failing to file annual notices of offshore bank accounts, which of course expatriates have. Now the IRS has a reason to go after them, and it has done so.

There is nothing to be gained by this persecution of the innocent. Those like me who file the required returns and forms each year have to pay thousands of dollars to expert tax preparers; that money doesn't even go into the US economy. And the US government realizes only a loss from the time expended processing my forms to verify that I owe it no tax. Meanwhile, I am prevented from opening useful savings accounts in Canada because Canadian mutual funds and tax-deferred savings accounts are considered passive foreign investment companies by the IRS, requiring forms that are either impossible or wildly expensive to complete: thousands of dollars more of accountants' time to account for even $50 of dividends, with still no taxes payable to the USA at the end of it.

There is a simple solution to this that would retain all the benefits Congress sought in chasing tax cheats: Change to residence-based taxation, i.e., cease requiring American citizens residing overseas to file tax returns. The only other country that taxes citizens residing overseas is *North Korea*. Going to residence-based taxation like the rest of the world would free the IRS to go after actual tax cheats residing in the USA and allow expatriates to open proper savings accounts. Amend FATCA to apply only to accounts of US residents and you will repair the crisis of Americans being ostracized around the world by banks unwilling to give them accounts.

Yours Sincerely,



Peter Scott