[redacted]
Montreal, Quebec [redacted]
Canada

Dear Madam/Sir,

I am an American citizen living in Canada. I was born in Canada in 1974, and because my parents are American citizens I automatically became American citizen at birth. Apart from a two and a half year period from 1999 to 2001 during which I lived in the United States I have lived in Canada all of my life. I am proud to be an American citizen and I hope that some day my career will enable me to return to the United States, the country where most of my family resides.

I am writing to highlight the onerous tax reporting requirements for American citizens residing in foreign countries. Because U.S. law requires most American citizens to file tax returns even when they do not reside in the United States, I have faithfully submitted my tax returns since my income required me to do so. However, I have a average, middle-class income in Canada that does not afford me the services of a professional international tax accountant who is fluent in the tax code of both countries. As such, I must complete the forms myself.

Unlike the forms required for most individuals residing in the United States, those required of citizens residing in foreign countries are written for the understanding of tax professionals. There is scant information available on the IRS website to help individuals in my situation; everything seems to be geared either towards individuals residing in the U.S.A. or towards tax professionals. Furthermore, the penalties for misfiling the forms concerning foreign income and assets are often much steeper than for U.S. income and assets. Together these create a very stressful and time-consuming experience each tax season. I estimate that I spend at least 40 hours each year completing U.S. tax forms, which is about five times more than I spend on my Canadian forms. The irony is that, since I don't live in the U.S. and I don't have any income or property there, I never owe any tax. However, any mistakes I make, such as a misunderstanding of a term with a slightly different meaning in the Canadian tax code, may subject me to fines in the tens or hundreds of thousands of dollars – in extreme cases more than my entire life savings.

There seem to be multiple ways in which improvements could be made. The most obvious one would be to not require American citizens residing in foreign countries and with no U.S. income to file a return; this is what Canada and most other countries do. The moment one ceases to be a resident of Canada he or she is deemed to have disposed of most financial assets, creating a capital gain and ensuring that Canada receives tax on the income made while residing there. There are also other, less drastic changes that would help, including reducing the reporting requirements of those who are not materially wealthy; it seems that much of the foreign reporting requirements are geared towards those who can afford to spend thousands of dollars each year on tax preparation, and not towards those with more average income and savings. It seems that most Americans residing abroad must be in the latter case, but the forms are written for the former.

Thank you for the opportunity to provide input into the Individual Income Tax working group. I hope that this description of my personal situation will help the group understand the negative impact the current tax code has on individuals in my situation.

Sincerely,

Peter Zion