Amsterdam, Netherlands
April 13, 2015
re: Input on U.S. Federal Tax Reform

To whom it may concern:

I am an American citizen married to a Dutch national and have been living permanently in the Netherlands for the last 10 years. I'm writing in response to the request for personal experiences with the current tax code. Because I am an expat I am most affected by the FATCA, the definition of bona fide foreign residency, and the extra filing burden and risk of double taxation for American citizens that live and work in foreign countries.

I strongly support changing the current U.S. Federal tax system to a residency rather than a citizen based system. In reforming the tax code, there should be a same-country exception when reporting "foreign" bank accounts under FATCA (so that as an American living in the Netherlands, my Dutch accounts are not considered "foreign").

My husband and our now 8 year old daughter have never lived in the United States. My daughter and I both have dual citizenship. Hers was automatic by birth, I applied for my Dutch nationality after she was born because I knew we would be here permanently and renewing a residence permit is time consuming and costly. I now speak fluent Dutch, have a career and a wonderful community here. All of which has anchored my family in my adoptive country.

Salaries are modest in the Netherlands, for my last job I earned roughly half of what I would in my native New York (I paid the standard income tax on this salary of roughly 50%). We are an average middle class family, I've always managed to put a little into savings and to set a small amount aside for my daughter's college education every month, I contribute to my IRA in America every year, but that's pretty much it.

In order to be tax compliant in two countries, we pay two accountants (and spend twice the amount of time putting the information together). Until recently I had an accountant in N.Y. that did my U.S. filings at the cost of about $450 per year. But since being required to file the FBAR I felt more comfortable hiring someone local (in the Netherlands) who specializes in the specific and confusing filing requirements of US citizens living abroad. His fee will be around €700 per year. Again, this is on top of the costs and paperwork involved in filing for the Dutch tax authorities. This is a big expense and added stress for me and my family.

Roughly 5 years ago my husband received a letter from his bank stating that they were closing his account because they discovered he was married to a U.S. citizen. No warning, my name was not on the account nor did I have any accounts at that bank. We had not heard of this being an issue at the time. He tried to fight it, but ultimately they shut down his account. We thought it was an isolated incident and didn't worry about it further. This year we received a letter from the bank where we have our regular joint accounts (one is primarily his, the other mine, but we are both signatories on the other's account). They saw that there was the possibility that there was an American attached to his primary account and they needed us to prove or disprove this with copies of my passport as well as proof that I had given up my citizenship (which I don't have of course) so that they could send this info to the IRS. I had provided all that information for my own account when it was opened, but not for his. This felt very invasive. Suddenly, because my husband married a foreigner, he was required to report personal financial information to her government, a country where he's never lived and never benefited from the services.

Beyond the extra work, confusion and stress this has caused in my relationship, my big concern is that banks will start charging extra fees to Americans because of the additional filing burdens placed on them. Or close accounts. Or even refuse to open them for Americans because they are not worth the extra hassle and cost. There's no way to function without a bank account in the country where you reside. What about the rights of non-U.S. citizens that are required to report financial information to the IRS simply because of their link with an American? And will my daughter also be required to file in the U.S. when she's older, even if she's never lived there? What about the possibility of being taxed twice, or unwittingly making a mistake and being liable for a penalty? For a permanent resident of a foreign country it feels like taxation without representation.

I hope tax reform is in sight, and I want to express my gratitude to the committee for requesting information from tax payers. I agree with what Jonathan Lachowitz wrote in the Wall Street Journal regarding considering changing the definition of a U.S. person in section 7701(a)(30) of the federal tax code. By changing the definition of a U.S. person for tax purposes in the code (e.g. if a U.S. person meets the bona fide residence test or physical presence test for two or three consecutive tax years, they are no longer considered a U.S. person for federal income tax and reporting purposes). This is a change that should not need legislative action and would provide the 6 million overseas Americans with tremendous relief.

Thank you for taking the time to review my letter.

Sincerely,

Rachel Ericson

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p.s. The following URL's lead to some recent articles that are relevant to this topic and reflect my views:
www.nytimes.com/2014/12/08/opinion/why-im-giving-up-my-american-citizenship-passport.html?
www.money.cnn.com/2013/09/04/news/citizenship-us-tax/
www.money.cnn.com/2013/10/30/news/us-expat-tax/
www.money.cnn.com/2015/03/10/pf/taxes/us-expat-kids-citizenship-tax/