



## Taxation

### Implement Residence Based Taxation

A complex tax system, unique in the world, unfairly burdens American citizens abroad. It imposes significant costs on tax preparation and reporting, often where no tax is due and many times leads to double taxation. The most serious problems relate to the way the US tax code targets many collective savings vehicles (“PFICs”) and retirement plans in non-US jurisdictions. These have been identified in the recent report from the US General Accounting Office (GAO), **Workplace retirement accounts**<sup>1</sup> which require changes in the tax code.

To address these issues, our organizations advocate ending citizenship-based taxation and aligning the United States with the universal practice of residency-based taxation. We welcome the initiative of the **Tax Fairness for Americans Abroad Act 2018** (HR 7358) and encourage Congresspeople from both sides of the aisle to co-sponsor the reintroduction of this bill in 2019 and vote passage into law.

### Institute Due Process before Revoking Any Passport

The IRS program of certification of “seriously delinquent tax debts” for purposes of passport denial or revocation is of major concern. For Americans abroad, whose legal situation requires a valid passport, it is vital that any revocation of passports be based on due process. At a minimum, due process must involve informing the taxpayer of any issue relating to tax delinquency, with an opportunity to contest it, before any certification or revocation takes place. Informing the taxpayer by registered letter, requiring acknowledgment of receipt, should be the first step of any certification process.

### Exempt Small Business Owners from the Repatriation Tax and GILTI

Two elements of the Tax Cuts and Jobs Act of 2017 were the “Repatriation Tax” and the “Global Intangible Low Tax Income” tax (GILTI). Both Congress and the US Treasury widely acknowledge that these taxes were enacted to address the accumulation of untaxed or low-taxed overseas profits by multinational corporations. As drafted, the law inadvertently targeted and has had a harsh impact on small businesses owned by Americans based in the United States and overseas. Application of these laws should be confined to large companies and not small businesses.

### Fund IRS Services for Taxpayers Abroad

The closure of all IRS offices outside the United States has added to overseas Americans’ problems in navigating the complexities of tax systems where they live while trying to comply with IRS regulations as they stand. International telephone lines are often unreliable and over-stretched IRS agents are difficult to reach. We advocate additional funding for the IRS to provide meaningful support for taxpayers abroad.

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<sup>1</sup> *Workplace retirement accounts. Better guidance and information could help plan participants at home and abroad manage their retirement savings.* Washington, DC, GAO, 2018 (GAO-18-19); <https://www.gao.gov/assets/690/689773.pdf>.