

The proposal presented by the ACA is a step-in-the-right direction to eliminate Citizenship-based (or US-person-based) taxation. The proposal presented by Heitor David Pinto takes a further step towards eliminating the taxation. I support both of the proposals.

However, I recommend to completely eliminate citizenship-based taxation, eliminate US-person-based taxation, and eliminate tax filing and information-form requirements upon persons who do not live in the USA.

GLOBAL TAXATION STANDARD

The USA should meet the world standard and tax its residents only. By meeting the world standard and having full agreement with all countries, it will solidify the US taxation border and its sovereign financial and taxation boundaries at a location which is internationally standard. Clarity will benefit all parties.

FAIRNESS TO US CITIZENS

Today, US citizens are inferior to citizens of other countries. Other countries only tax their residents, whereas USA taxes its citizens and persons wherever they live. This is a serious disadvantage to US citizens versus citizens of other countries.

TAX EXCLUSION LOGIC

The existing US taxation system uses foreign tax exclusions to ATTEMPT to allow the first \$100,000 of foreign-earned income to not be taxed by USA.

However, due to the difference in every country's tax system, the goal can never be fully achieved---there will always be exceptions such as inheritance, disability payments, retirement payments, unemployment payments, and other payments, which cannot be excluded. This is unfair to the US person. No matter how the exclusion system is designed, many US persons are going to be unfairly taxed under the current tax system.

HIGH TAX REGIONS LOGIC

Next, the existing US system uses foreign tax credits, in order to ATTEMPT to allow a person to be credited for having paid HIGHER taxes in the foreign country where he lives.

Again, the credits are not adequate to cover all situations such as those listed above, the unique new USA health care taxes aimed at the rich, and additional non-creditable payments. There are also many variables such as cost-of-living differences, alternative taxes not creditable such as VAT taxation, local taxation, proposed taxes upon financial transactions, real estate taxation, and an infinite number of other potential taxation methods. There will always be situations where a significant quantity of US persons cannot be fully credited for taxes paid.

In 80% - 90% of the cases, using exclusions and credits, the tax filer truly does or should owe no tax. In this case, the US person has completely wasted his own time while delivering no benefit to the USA. Also in this case, the USA IRS has completely wasted its own resources on all of these tax submittals.

LOW TAX REGIONS LOGIC

The current objective of the exclusion and credit system is for USA to tax US persons who are living in regions with low income tax, so as to have the highest possible tax level. This unfairly disregards the fact that these persons are indirectly taxed by that countries revenue-producing methods, which may be employer-paid salary taxation, employer corporate taxes, wealth taxes, sales taxes, or property taxes.

Whereas the image of people in low tax regions are FATCATs and Global Elites, the reality is that sales persons, project managers, and engineers are working in places such as United Arab Emirates, Saudi Arabia, Angola, Russia, Nigeria, and other critical regions where the USA would gain by the presence of its own salespersons and executives. However, US persons are disadvantaged versus any person from any other country, who are on site without taxation from their home countries. In these regions, it is not financially advantageous for any employer to choose a US person. With fewer US persons on site, there are fewer US-based business decisions, fewer US products sold, and fewer US-biased businessmen.

Whereas the USA wants to tax citizens in these regions, the competing countries want to allow their citizens to live freely and to help produce trade surpluses for their home countries. Such policies have worked for countries such as Germany. USA has not had a trade surplus since the 1970's. See Roger Conklin's reports to the Ways and Means committees in previous years, which correlated citizenship-based taxation to the USA trade deficit.

The low-income-tax regions are critical for USA presence. With a small portion of revenue being generated via the current tax system, the USA trade deficit worsens whilst other countries without citizenship-based tax systems flourish.

PENALTY FUND RAISING

A portion of revenue is being generated for the US treasury via the draconian penalties connected to the FBAR reporting system, and via the inter-connected "Offshore" Voluntary disclosure programs. The revenue is touted in the press as having come from tax evaders, when in reality there is revenue created from unfairly punishing well-meaning, law abiding citizens who just happen to live and work and save outside the USA.

These penalties for extensive IRS reporting forms must be removed, in order to treat US persons overseas fairly.

THREATS TO EXCLUSIONS AND CREDITS FROM LEGISLATURES

The Foreign Income Exclusion has been threatened over and over again (annually) for removal. This should never be allowed to happen. On the contrary, if residence based taxation is not implemented, the exclusion should be raised to infinity.

The existing foreign exclusion has been revised to apply upon the lowest-taxed portions of income only, effectively forcing the highest rates upon persons who cannot use foreign tax credits. If residence-based-taxation could not be eliminated, and if the exclusion could not be raised to infinity, this characteristic must be removed.

REMOVAL OF REPORTING FORMS

A US person is required to provide a number of informational forms (listed in the writer's separate submissions), giving information about their lawful activities within their country of residence.

ASSUMPTION OF COUNTRIES SOVEREIGN LAWS

The normal assumption of international law is that the law of the applicable country is respected to be appropriate to run the society. There should not be a separate need to report the activities back to another country (such as the USA). When a person resides outside of the USA, it is not appropriate to have an additional set of laws applying to his normal, everyday (law-abiding) conduct

CONFLICTING LAWS

The IRS reporting forms (FBAR, 8938, 3520, etc) REQUIRE US persons to report the private information of their spouses, the volunteer organizations they work for, their corporations, and their business partners to a country (USA) that is foreign to them, REGARDLESS of their confidentiality agreements, the rules of the applicable stock market, and the laws of the country. The forms REQUIRE the person to BREAK THE LAWS of the country where they live. This is totally wrong.

WASTE OF USA RESOURCES TO POLICE OTHER COUNTRIES

USA wastes its resources to create an entire set of legislation and judgement of activities which are occurring in jurisdictions outside of itself. Countries such as Finland, New Zealand, Croatia, or South Africa should be proficient so as to have applicable laws and regulations to govern the activities in their countries. For USA to double regulate and double enforce laws is a waste of USA scarce resources.

EXIT TAX REMOVAL

The exit tax should be removed for everyone. The concept is already covered by capital gains taxes on real estate or financial products. If a person closes his US bank account and sells his house when he leaves the USA, the capital gains will be applied according to normal procedure. If those events occur at a different time, the capital gains can be apportioned according to simple rules whose principals are laid out in the standard tax treaty. There should absolutely not be any additional categories of exit taxation other than normal capital gains (no additional wealth taxation upon cars, boats, or other goods which are not normally taxed domestically).

JUSTIFICATIONS: ELIMINATION OF USA COSTS

The objective of the elimination of Citizen-based (US-person-based) taxation is to eliminate US government costs. With the elimination of ALL reporting of non-residents, these costs will be eliminated:

--tax attaché staffing costs (including excessive foreign-employment costs). Multiply by the quantity of US IRS employees overseas.

--tax attaché overhead costs (buildings, office equipment & supplies, administrative costs, etc). Multiply by the quantity of US IRS employees overseas and by the quantity of facilities overseas

--specific form costs (numerous printing and maintenance costs of forms which are specific for non-residents of USA. Multiply by the quantity of forms and by the quantity of people filling out such forms

JUSTIFICATIONS: ELIMINATION OF US PERSON COSTS

US persons overseas typically must pay an accountant upwards of \$1500 per year, and also spend 50-150 hrs per year with preparations and communications. This can be 4 times the time demands of someone who lives inside USA.

FOCUS UPON REAL NEEDS

With so many other issues which are critical for the IRS, they have been assigned to babysit the bank accounts of law abiding persons living outside the USA. The resource demands for that job is enormous. The payback to the IRS is negligible. The majority of the revenue gained is from draconian penalties, next from unfair taxation.

EXAMPLES OF FATCA'S EFFECT UPON USA BUSINESS COMPETITIVENESS

The BRICS nations have called FATCA an act of war.

The FATCA regulations have a HUGE negative effect upon USA competitiveness in the financial services markets. For example, the BRICS nations are meeting in South Africa to create banking systems whose objective is to eliminate the need for the USD or Euro. China has recently signed a deal to eliminate the dollar from China-Australia exchanges. Is FATCA improving the competitiveness for USA systems? No.

The FBAR form requires US persons to illegally (according to local laws) report the confidential details of their spouses, business partners, and corporations (see section 4). As a result, US persons are not employable as persons with financial responsibilities in corporations. Therefore, critical business decisions are being made by non-Americans.

US persons cost more to employ in critical markets such as Saudi Arabia, UAE, Kuwait, Angola, Singapore, Hong Kong, or the other low-tax areas which have very high political interest and business interest to USA. It is nearly impossible for US persons and small US corporations to overcome the weight of information reporting, so as to sell US products in services in those critical areas.

The reasons above explain why countries such as Denmark or Germany have trade surpluses whereas USA has trade deficits.

SUMMARY

Residence based taxation must be implemented to undo all of the wrongs of citizenship based taxation.