



serving overseas Americans and the international community since 1931

April 15, 2013

RE: Comments to the International Tax Reform Working Group for Residency Based Tax submissions

To the Honorable Members of the House Financial Services Tax Committee,

FAWCO, the Federation of American Women's Clubs Overseas, founded in 1931, is the oldest and largest organization of civilian Americans living and working overseas. FAWCO has 69 Member Clubs in 36 countries worldwide, representing over 15,000 members (see www.fawco.org).

As the Board of Directors of this outstanding service organization, we would like to comment on proposed changes to US laws for taxation of Americans overseas. Based on the first-hand experience of our members, we, the FAWCO Board, respectfully ask that, in your deliberations, you aim to:

1. Consider that Americans overseas come from all walks of life and all income brackets and that most are honest and patriotic Americans, willing to pay their fair share of taxes.
2. Ensure that taxation of overseas Americans is fair, not punitive.
3. Ensure that tax compliance costs for overseas Americans are comparable to these same costs incurred by US-based taxpayers. (In addition to honoring host country tax filing requirements, Americans abroad must pay expensive international tax preparers to meet their US obligations).
4. Ensure that no financial "transparency" is required of Americans living overseas that is not also required of Americans living in the United States. (Current Form 8938 and FBAR requirements are far more onerous on Americans filing from abroad).
5. Ensure that US Agencies responsible for these subjects are required to reach out to and inform US tax persons abroad of their filing responsibilities clearly, in consistent and non-threatening ways.
6. Review all proposed laws, including inheritance tax provisions, to ensure that their implementation will not endanger the financial security of non-working American spouses of non-American citizens.
7. Change current law such that the savings and retirement assets of US tax persons, wherever they may be, are taxed in the same way as if those assets were held in US Retirement accounts. One should not have to suffer financial hardship and disadvantage solely because of where one lives or works.

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FAWCO comments on Residency-Based Taxation:

It has been suggested by some organizations that overseas Americans be subject to residency-based taxation (RBT). FAWCO agrees in principle that residency-based taxation of overseas Americans, properly constructed, would eliminate or ameliorate many of the current difficulties faced by this constituency, such as unsustainable compliance costs and better access to cost-efficient investment and savings options.

FAWCO also agrees that, if US-based assets are taxed in the US through automatic withholding and all other assets, including overseas salaries, are taxed where they are earned or held, costs of compliance and US government agency costs to manage these tax returns will be efficiently reduced. However we are concerned that a blanket automatic withholding of 30% on US-based savings will significantly negatively impact the planned cash flow of Americans who choose or have already chosen to retire abroad.

Finally, planning for our financial future (making decisions on investments, retirement savings, and education of children) is extremely difficult in the current uncertain regulatory and legislative environment, but even more so for our members - Americans living in a multinational context. The changing positions and procedures of the US Federal agencies, and the resulting changing reactions from the banking industry, both domestically and abroad, have for the past few years created uncertainty and fear in our membership about how to plan for their financial lives.

We, the Board of the Federation of the American Women's Clubs Overseas, respectfully request that you clarify, simplify and equalize tax legislation for Americans overseas as quickly as you can. We hope that, having exercised the quintessential American right and privilege of expressing our views, we will see our concerns reflected in the results of your deliberations. In this most democratic of processes, we thank you for the time you give to incorporating the concerns of all Americans in a solution equitable for us all.

Yours sincerely,

FAWCO Board of Directors 2013-2015

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