

ATTN: International Tax Reform Working Group

Dear Representative Nunes and Blumenaur,

I am writing to ask that the International Taxation Committee of the Ways & Means Committee for Tax Reform seriously consider the ACA proposal for reform to Residency-based taxation RBT. See link:

<http://americansabroad.org/files/6513/6370/3681/finalsbrbtmarch2013.pdf>

As one of nearly 7 million American citizens living, working and potentially voting from abroad, and contributing to the good-will and understanding of the US abroad, I believe the current Citizenship based taxation regime must be reformed. Current tax policy is negatively affecting this important sector of American and their ability to compete for jobs, grow the US economy through international business and exports, and live overseas. Current tax policy damages both individuals and the welfare of our country.

The following are some examples of the fallout on Americans working overseas from current U.S. Citizenship based taxation:

- Inability to relocate and work internationally
- Denial of job opportunities or job advancement
- Refusal of entry into business partnerships
- Closure or denial of financial instruments (pensions, insurance policies, bank accounts, etc.)
- Exposure to double taxation or increased tax burden
- Financially ruinous penalties due to broad application of criminal tax evasion regulations on those making simple filing errors due to complexity of the US tax code.

I have been personally affected by this situation. The complexity of US tax law means that even a relatively simple US tax return either costs our family \$900 per year from a professional preparer who is experienced with the interplay of the Canadian and US tax systems, or it takes me several days to put together what I hope is a correct return, knowing all the time that I probably won't end up owing anything - but being exposed to unbelievable penalties if I make a mistake. Needless to say, this situation has not lead to good will. Furthermore, the professional preparers found that the US system, in some years, had set up rules where I was owed money back. Given that I am an upper-middle earner whose income was virtually entirely Canadian and no US taxes had been withheld, this meant that the general US taxpayer was helping to offset the costs of preparing the unnecessary return. The real US taxpayers lose, and the accounting firms win, from applying to Americans abroad laws obviously drafted without thinking about them. Processing the returns of middle income dual citizen Canadians would also cost the US government money, and unless they fell afoul of some sort of gaps in the tax treaties (it would be easy to make a mistake), virtually none of these people would end up owing anything to the US government. Indeed, some may end up receiving money collected from domestic taxpayers in less fortunate economic situations.

Staying abreast of the gaps in the tax treaties is a problem, even for professional accountants. They involve issues faced by ordinary middle-income taxpayers for things like inheritance, capital gains on ones home, retirement savings (there are complex rules that mean that most of the vehicles used by non-dual Canadians saving for retirement (mutual funds or tax-free savings accounts) are penalized by the US as tax dodges or subject to complex paperwork for dual citizens), and registered savings accounts for children's education (also used routinely within Canada) Since we are not so wealthy that it makes financial sense to consult financial planners and tax lawyers with expertise in the interplay of US and Canadian tax laws, we are in a form of financial paralysis, unable to plan normally for

retirement and badly restricted in what we safely do. Please end this insanity. My daughter, also a dual citizen, hopes to set up a professional corporation in a few years. The tax complexity means that she will need to renounce her US citizenship before doing this, or be captured by complex rules that would make high-power accounting firms rich, but significantly hurt her without, presumably, gaining the US government a penny unless she makes a mistake. This is no way to treat citizens abroad. Please end this mess.

Please seriously consider the RBT proposal submitted by American Citizens Abroad (ACA). A move towards a residence-based system, like the rest of the world, not only would it be simpler and fairer for Americans living abroad, but it would actually bring in MORE tax revenue than the current system, which wastes compliance resources for very little return. RBT would increase United States exports strongly by facilitating American mobility in the global business environment of today's world.

Yours sincerely,

Owen Kaser  
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