

ATTN: International Tax Reform Working Group

Dear Representatives 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/finalsubrbtmarch2013.pdf>

As one of nearly 7 million American citizens living, working and voting from abroad, and contributing to the economic growth of the U.S. economy, 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. I left the United States thirty years ago with nothing. Aside from an occasional visit to my family, I have never been back to the US, I hold no debt or assets there, I derive no income from US sources, and I receive none of the benefits residents normally receive for their tax dollar. The modest assets I have accumulated in my lifetime are directly attributable to hard work in other countries.

Despite having no residence in the US, I am still required by law to file an income tax return every year. This costs me several days of my time, thousands of dollars in fees, and incalculable aggravation. Due to the double-taxation treaties in force, I am eligible for credits toward taxes paid in my country of residence. There is no apparent benefit to the US of requiring me to file income tax returns every year. All it does is impose a heavy burden on me, as a non-resident citizen of the US. It also creates fruitless work for the IRS employees who must process my tax return every year.

I have lived in several countries in the past thirty years and I have acquired three additional nationalities. None of the other countries in which I have citizenship require me to file an income tax return unless I am resident there during the tax year. I do not believe ANY country, other than the United States, imposes such a heavy burden on its citizens based

solely on their nationality. Eritrea, the only other country in the world with a citizenship-based tax system, charges non-resident citizens a negligible flat rate tax of only 2%.

Furthermore, the United States Government imposes a very heavy penalty on me in terms of lost privacy. As a non-resident American, I am required to file FBARS and report on my tax return, all my non-US accounts every year. The penalties for not doing so are draconian. But this reporting requirement is arbitrary, discriminatory and unfair to non-resident Americans. Resident Americans are not required to report on their local bank accounts. For me, my bank accounts are local accounts and a normal part of living and working in my country of residence. I need a bank account to receive my salary, service my mortgage, send my kids to school, buy groceries, and pay my bills and local taxes. As a non-resident American I am subject to additional reporting requirements and denied the right to the financial privacy that is accorded to resident Americans and to citizens of virtually every other country in the world.

I understand that the reporting requirements are designed to catch tax-evading US residents who hide their assets overseas. I fully support this goal. I firmly believe that anyone who has earned income or accumulated wealth by virtue of living, working or doing business in the United States SHOULD pay their US taxes. However, the law heavily penalizes law-abiding non-resident Americans who are living and working in other countries. I have modest resources, and none of them have come from US sources. Yet I am required, under threat of prison and confiscation of my assets, to file intrusive financial reports every year. Big brother is definitely watching me!

I do not believe these reporting requirements should apply to non-resident Americans. Like all non-resident Americans, I am required to pay taxes on my income and assets in my country of residence, which I can deduct from my US taxes. Requiring me to report on my local bank accounts does nothing to help the IRS find tax-evading Americans, either at home or abroad.

Finally, the aggressive pursuit of Americans overseas (particularly the FATCA legislation) has made it impossible for me to manage my financial affairs like a normal person in the country in which I live and work. As a Swiss resident and citizen, I have held an account in a Swiss bank for thirty years. When I got married (in Switzerland to a Swiss and French citizen) we opened joint accounts in a Swiss bank. Even though we now live across the border in France, we continue to work and bank in Switzerland (this is very common in our region).

Recently, because I am American, our bank has required us to close our investment account. Now my wife and I are required to sign papers allowing the bank to transmit our personal information to the US tax authorities, in contravention of Swiss law. My wife, who is NOT an American citizen, who has never lived in the US, and who has no financial obligations or ties to the US, has not agreed to her personal information being given to the IRS. This is legal and

entirely reasonable, as it is a Swiss bank account, she is a Swiss citizen with no ties to the US, and she is working and paying taxes in Switzerland.

We have now been informed that the bank is going to close our accounts. I really do not know how we will manage this situation. My wife can open another account for herself, but I am in difficulty as banks here will no longer agree to open an account for a US person. I am informed I cannot even legally do my banking in the US because I am not resident there. I have become a financial pariah and international “bankless person” because of US Government policy.

The current legislation imposes a heavy burden on non-resident Americans, who are mostly ordinary people leading ordinary lives in another ordinary country. But more insidiously, it creates an unacceptable burden on our family members who are not Americans. My wife’s only “crime” was to agree to my marriage proposal. Now she is also caught up in this international dragnet cast by the US Government. I hope she has not started to regret her decision to marry me. There are some things that even love cannot overcome.

I am a patriotic American and a US military veteran. I vote in US elections. My departure from the US was for educational, professional and personal reasons and I would like to return to the US (and pay taxes there) for at least part of my retirement. I remain deeply attached to my country and to my American nationality. However, the difficulties of being an American overseas have just become too daunting. Unless the laws change, I will be forced to relinquish my US citizenship, as thousands of other people in my situation have already done.

Your committee has a unique opportunity to change the lives of millions of honest, loyal, hard-working Americans living overseas. Act now and you can right an egregious wrong. Fail to act, and your legacy will be the perpetuation of an irrational and unjust system. Another part of your legacy will no doubt be a wave of non-resident Americans being forced to renounce their US citizenship simply in order to lead normal lives abroad.

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 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,

Kerry A. Kutch

