

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>. This proposal has my full support. It addresses all my concerns after having worked and lived abroad for over 30 years, as well as those of hundreds of thousands of citizens like me.

For a long time I have felt that I am being unfairly treated. I have paid my taxes in my countries of residence, according to their rules. And I have filed a US tax return every year as well, as required based solely on my citizenship, unlike virtually any other country. I have had to pay high fees for tax preparation services, given the complexity of the US return for Americans living abroad. Many years, I owed no US taxes, nevertheless I still had the burden and cost of the tax return preparation, and in the process spent nearly twice as much personal time in tax return preparations. In the years when I did owe US taxes, it was mostly a case of taxation due to differences in tax systems. It seems that given the differences, and the restricted ways of applying foreign tax credits, I always pay at the higher of the two systems, in the process being taxed twice on part of my income. (This occurs for example because rather than look at the total foreign tax bill for a given income, and applying the credit based on the total foreign income and total foreign tax paid, it is split up into different categories, and tax credits are applied by categories, with their respective limits, rather than taking into account the fact that different countries may categorize differently and tax income categories differently.) Also while resident abroad, I find that while I may pay higher taxes based on income (wages, pensions, interest, etc.), I cannot benefit from their lower or no taxes on capital gains, because then the US steps in and I must pay capital gains tax in the US on a foreign gain. The overall income tax burden is therefore not taken into account when determining the tax credit. And other than consular services, which I used only to renew my passport several times over the years, I have received no services for my taxes paid, while US-resident Americans do receive services for the taxes they pay.

Now that I am retired, I still have a complicated return, with pension income from different countries as well as two company pensions for work done both in the US and abroad. I worry about the increasing complexity and filing requirements made on Americans living abroad. The returns are complex enough, even without the financial reporting aspects (Form 8938), and I worry about what will happen if my mental capacities start to deteriorate as I age. Despite using a tax preparation service, my active and accurate input is required to complete the return. Of course I have accounts in foreign countries. I have lived abroad all these years. The penalties for making a mistake are exorbitant, could be financially ruinous, and out of proportion, in my opinion, to the situation. I understand that the US wants to know about its **residents** who have foreign assets over a certain limit. But the same rules and thresholds should not apply to those of us who are legitimately residing abroad for decades, and have much of our life savings abroad. Such reporting should not be required, but if so, then the thresholds should be much higher for both FBAR and Form 8938.

I sincerely urge you to enact tax reform to adopt Residence Based Taxation, incorporating all the proposals outlined in ACA's RBT proposal. Those of us who live abroad and no longer have ties to our former states of residence, and therefore vote only in federal elections, have a very limited voice in how we are taxed, except through advocacy groups like ACA and the National Taxpayer Advocate, and through your consideration of reform for an equitable taxation system. A move towards a residence-based system, like the rest of the world, would not only 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.

Sincerely,

Maria Pallares