

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 changing the US tax code to make residency, and not citizenship, the basis of taxation. American Citizens Abroad has made such a proposal, and I urge you to consider it. See link:

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

I have been personally affected by this situation. I am a US citizen who married a Canadian and have now lived and worked in Canada for about 13 years. As Canada is now my home, I became a Canadian citizen about 10 years ago. Although I filed US tax returns every single year and thought I was US tax compliant, I was unaware of the various information forms. As soon as I became aware that I not filed all required forms, I engaged a tax advisory firm and have taken steps to become compliant.

The result has been personally devastating. I have had to pay over \$25,000 in professional fees (and counting). Despite owing no US taxes, I faced a potential penalty of 25% or more of my net worth. Now, I am afraid to file my own US taxes (although I want to note that individuals who had tax advisors still found that they were not compliant with the disclosure forms). Last year I had to pay about \$3,000 for tax advice and file about 40 pages of tax forms. I am not a rich individual with complex finances — I have a middle-class salary, checking and savings accounts, and retirement accounts (the Canadian version of IRAs). Americans who are living abroad do not have “foreign accounts” in order to shelter income and reduce their tax liability, but in order to live.

To give you an idea of the situation in which Americans living abroad find themselves, we essentially have to ask for professional tax advice on any investment decision. I found out that the \$5,000 a-year-contributions to the tax-free savings accounts that the Canadian government aggressively markets to its citizens as a savings vehicle required me to file complex forms related to foreign trusts. I had to receive an employer identification number from the IRS for this account even though it has nothing to do with a business. I spent more paying for a tax professional to complete the IRS forms than I generated in interest income on the account. I also have to file a separate form to “opt” not to be double-taxed on my retirement savings in Canada, which is also considered a foreign trust. These tax rules are not obvious to an ordinary taxpayer, and even many foreign tax professionals who are also not well-versed in US tax rules have gotten it wrong. This is frightening for the American involved as mistakes can be financially ruinous.

The various US tax laws also affect my career advancement. I work in a small company in Canada and have the opportunity to become a co-owner. However, to do so places me into even more complex tax territory and it can also trigger requirements for the small company, which does all of its business in Canada and other than having hired me, has no connection to the US. I will either have to forego this personally rewarding opportunity because my company does not want the additional obligation of reporting to a foreign taxing authority, or I will have to relinquish my US citizenship. This is a cruel choice.

Unfortunately, you are likely not hearing from many people because they are afraid. I am afraid too, but since I have entered into the available IRS processes, I have less to lose by writing you. Many Americans with even more sympathetic situations probably cannot write to you because they are not similarly protected. But please consider their situations. Consider individuals who are Americans by birth, but who have never lived in the US beyond their childhood years and now find out that they should have been filing tax forms to a country in which they never worked a day. Or the Americans who actually never lived a day in the US

but had American parents who proudly wanted their children to have US citizenship and had no idea of the burden they had created for their children. I hope you are hearing from some of them, but if not, I hope you think of them.

Please seriously consider the residency-based taxation 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.

Yours sincerely,

Amy Richmond