



April 3, 2013

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 ways to alleviate the disproportionate burden of US taxation and filing requirements upon US citizens permanently resident outside of the US. Whilst the ACA proposal for Residency-Based Taxation provides one way to achieve this (<http://americansabroad.org/files/6513/6370/3681/finalsubrbtmarch2013.pdf>), failing that, I would ask that US citizens, permanently residing abroad, be exempt from US tax and related filing requirements if they have never resided in the USA or if they have lived abroad for a period sufficiently long to preclude abuse.

Just as millions of immigrants have moved to the United States and come to consider themselves American, I moved to Europe 26 years ago and now consider myself a European. I was married here, my three daughters were born here, I have EU citizenship and I have built a business here. But unlike comparable immigrants to the United States, I remain trapped in a tangle of regulations which start from the presumption that there is no legitimate reason why a citizen of the United States should wish to live, have a bank account, or start a business, outside of the United States.

Just by way of example:

- I had to submit 600 pages of information to the US government last year. It cost me more to prepare the forms than I owed in US tax.
- In addition to the sheer complexity of compliance, non-resident citizens pay excess tax because the misalignment of the tax systems means that a tax paid in the home country cannot always be a credit in the USA; because the USA taxes fictitious notional gains made in US\$, a foreign currency to us; and, because our US citizenship prevents us from taking legal steps to reduce local taxes (e.g. having a tax advantaged savings account which must be invested in EU registered mutual funds – which the US would tax punitively because they are PFICs).
- I, and my business, are having increasing difficulty in even opening a checking account in the anticipation of the implementation of FACTA, a law of staggering hypocrisy and extra-territoriality.
- Finally non-residents are specifically targeted for punitive penalties if we are not in precise compliance with regulations of Kafkaesque complexity. While it might be true that US residents in general only control “foreign” bank accounts by choice, as a small business owner residing in Holland, I have no choice. Because the same Euro can move among several accounts (different currencies, different countries,

segregated accounts spread amongst multiple banks to limit credit risk) I calculate that, if I had not filed the FBAR last year, I could have been liable for a penalty up to approximately 30x my net worth, 600x my annual income and 8,000x my annual US income tax liability. The threat of these extortionate penalties is disproportionate, unjust and just plain scary.

I wonder how you would react if a constituent of your district, who immigrated 25 years ago and had become a US citizen, wrote to you because Italy, Mexico or Cuba asserted comparable rights over them, or over their children born in the USA. My resentment is compounded because the 7 million US citizens residing outside of the US are not even counted in the census used to determine congressional districts and lack effective representation in Congress. The website of my congressional "representative" does not even allow me to post a comment because I do not have an address and telephone number in his district.

Others will write to you purporting that the law should be changed because they live abroad as a representative of US for the greater benefit of the US. In my case, it would not be true. I am not motivated by any positive or negative emotion towards the USA. I live in Europe because that is the way life has worked out. I do not consider this choice to be a crime worthy of punishment by my country of birth. Seen purely from my perspective, the US will neither gain nor lose revenue by implementing a change in taxation to a residence based system. Similarly, given the tax rates in Holland, you would not lose much revenue by exempting me altogether after 26 years of living outside of the US and what you would lose is largely a result of unfair double taxation. But, I would argue that this is beside the point. Just as the UK and Germany do not penalise emigrants to the US and New York does not tax an emigrant to California, the time has come for the US to recognise that there is nothing inherently nefarious about leaving the USA. Indeed, in this global economy, emigration will be an inevitable and ever more common reality. It is simply the right thing to do to change the tax code accordingly.

Thank you for your consideration.

Sincerely,

Peter Stein