

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 a switch to residency-based taxation RBT for US citizens abroad. See link: <http://americansabroad.org/files/6513/6370/3681/finalsubrbtmarch2013.pdf>

As one of nearly 7 million American citizens living, working, investing 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. It is **counterproductive** and actually **reduces U.S. tax revenue** while severely impinging on Americans' 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 am a U.S. citizen who has lived in Germany for 45 years (and last visited the United States in 1996). I am also a citizen of Germany and pay taxes in Germany. I invest in the U.S. stock market and have a fair amount of dividend income from that, but no other U.S. income at all. Were I taxed the way NRA German residents are taxed, the U.S. would receive a 15% withholding tax on my dividends and the German tax office would grant a credit for that. But because I am a U.S. citizen and am required to pay the regular income tax in the United States, no U.S. tax is withheld from my dividends, I spend weeks every year preparing a U.S. income tax return and end up owing 7.54% of my income before the foreign tax credit is applied. The tax I must actually pay is far less than 15% of my US dividend income (8.28% of it this year, to be exact). But I am not saving money, because the German tax credit is also very low and does not take the entire US tax into account.

This makes no sense at all. Even if my income were very different, the double taxation agreement would enable me to limit my US tax liability to 15% of my US dividend income, but it is generally way below that. So **with the current law**

- **I pay less U.S. tax than if I were taxed on a residence basis;**
- **I have a lot of work to do to prepare a tax return – withholding is much simpler.**
- **The IRS undergoes expenses to check my returns – withholding is simpler.**
- **Only Germany (in my case) profits from the arrangement;**
- **I pay more total tax to both countries than I would with a residence-based tax.**

Please seriously consider the RBT proposal submitted by American Citizens Abroad (ACA). A move towards a residence-based system, like all the rest of the world except for Eritrea, 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.

I am especially concerned because I have three daughters who are U.S. citizens, although they have never lived in the United States and have each spent no more than a few weeks there in their entire lives. They are just beginning to enter economic life and being required to file tax returns, but this requirement threatens to shackle them for their entire lives, although they naturally have no experience or understanding of the US tax system and soon (I have just turned 70) will have no one left to help them with it. And one needs help: the IRS puts out tons of documentation which explains trivia in immeasurable detail but gives no information at all about obvious questions which do not have obvious answers.

Yours sincerely,

Gordon Wassermann

