

April 12, 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 the ACA proposal for reform to Residency-based taxation RBT. See link:

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

We have been personally affected by this situation with an ever increasing level of stress, frustration and aggravation. My wife and I were transferred from Denver, Colorado to Canada in 1983 by my employer for what was supposed to be a six-month assignment. It's now thirty years later and we're still here. We obtained Canadian citizenship in the 90s and have two daughters born in Canada, one in 1986 and the other in 1993. All four of us have dual USA/Canadian citizenship. Since day one, we have been 100% compliant with all USA reporting requirements. These requirements have evolved to the point that their complexity is overwhelming unjustifiable. To try and provide a perspective of what's so upsetting please note the following high-level overview of our situation:

1. Last year, our professional accounting firm, BDO Canada, took the step of requiring us to sign a disclaimer saying they would not be held responsible for the outcomes of our USA tax returns, FATCA and FBAR filing report submissions. As an appendix to this letter, I have attached a portion of the letter we just received from BDO Canada regarding this year's tax returns which will provide a reference point for their disclaimer requirement.
2. The correspondence we receive from the Internal Revenue Service is years after the fact, comes without fair and reasonable explanation and is bewildering. As an example, in March 2013 we received two separate notices that our 2009 returns were revised and that we could expect refunds of \$3200.00 and \$2.00 (it is a joint return!), which we have since received. These come with no explanation other than a reference to the tax year.
3. The amount of taxes we pay compared to the accounting fees we pay is absurd. Just taking the last four years into account, our total taxes paid were just under \$1800.00 and our BDO Canada fees were over \$50,000. We can't imagine what the cost must be for the U.S. government to process our returns.
4. Our daughters, age 19 and 25, are unable to comprehend any rational for them needing to file annual tax returns, FATCA and FBAR reports and as parents, we are running low on reasons as well. They are considering renouncing their USA citizenship which would be very upsetting to us and also serve no purpose to the USA public. In fact, with the demographic trends predicted for the future, the USA may

find itself regretting having lost so many of our daughter's generation (children born abroad to USA parents) who gave up their USA citizenship out of despair.

5. Our 2011 return which we sent in during the summer of 2012 was so thick that Canada Post wouldn't send it registered. It had to go "parcel post".
6. We are law-abiding people who desire to be model citizens. We have raised our children in the same vein. We do not understand what purpose is being served by treating us as if we're guilty of something untoward and therefore burdening us with requirements that benefit neither us nor the USA.

While we have spent the last thirty years living in Canada, we remain steadfast and patriotic to our American roots. Our siblings and extended family all reside in the USA. We travel to various states several times annually. We vote and make every effort to be informed citizens. We will most likely return to Colorado upon our retirement. We have attempted to provide you with an over-all summary of our situation. The details of our situation go on and on and on. Please take into account the burdens being place on USA citizens living abroad and endure to make changes to the system to alleviate these unfair and unnecessary requirements.

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 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. RBT would increase United States exports strongly by facilitating American mobility in the global business environment of today's world.

Yours sincerely,

Wes and Patricia Campbell

A large black rectangular redaction box covering the signature area of the letter.

Appendix: BDO Canada letter to clients on U.S. Tax Compliance

Appendix I - U.S. Tax Compliance

We are sensitive to your concerns about the increasing cost of preparing U.S. tax returns. Given the current legislative climate in the U.S., we thought it would be timely to share with you some information about the US tax system and why the cost of preparing U.S. tax returns can be substantially higher than in Canada.

One does not need to look further than the volume of tax legislation in the two countries to begin to appreciate that the Canadian and U.S. tax systems are very different. The Canadian Income Tax Act with regulations is one volume, approximately 1 ¾ inches thick. The US Internal Revenue Code ("Code") and Regulations, on the other hand, is comprised of 6 volumes measuring approximately 15 inches when stacked one on top of the other. This is a good indication of the level of detail and complexity that is inherent in the US tax system. Where in the Canadian system much is left to estimation and professional judgment, the Code provides hundreds of pages of regulations detailing virtually every part of the legislation. In addition, each state has its own unique taxing statute, some with a similar level of complexity.

The Code also imposes a much higher standard of care, on both taxpayers and tax return preparers, than what we are accustomed to in Canada. Taxpayers are potentially subject to a 20% penalty if information included in their returns is incomplete or inaccurate. In these circumstances, penalties can also be assessed against the preparer of the return. Preparers are required to document all amounts included in a client's tax return; including any estimates, judgments or technical positions underlying the numbers. The preparer must be able to demonstrate what work was done on a specific issue and that the conclusions reached were reasonable. Due to the complexity of U.S. legislation and the many differences between the Canadian and U.S. tax systems, what is a relatively simple return in Canada may become something quite different in the U.S. As an example, consider a U.S. citizen living in Canada who has Canadian employment income and perhaps some bank interest on their Canadian tax return. The Canadian return is quite straightforward. The U.S. return, however, will require some or perhaps all of the following:

- Form 2555 to calculate the U.S. foreign earned income exclusion
- Form 1116 to calculate the U.S. foreign tax credit, which to complete properly requires an understanding of various provisions included in the Canada-U.S. income tax treaty, and a sourcing schedule supporting the foreign tax credit calculation
- Form TD F 90-22.1 to report ownership of non-U.S. financial accounts
- Form 8938 to report non-U.S. financial assets
- Form 8891 to elect to defer income earned in the taxpayer's RRSP or RRIF
- If the taxpayer owns shares in a Canadian private corporation, significantly more reporting is usually required. The U.S. controlled foreign corporation (CFC) rules (Form 5471) or the passive foreign investment company (PFIC) rules (Form 8621) may be applicable. These rules may accelerate the recognition of income for U.S. tax purposes and/or subject that income to unfavourable taxation.
- If the taxpayer has a connection with a non-U.S. family trust (as contributor, trustee and/or beneficiary), Forms 3520 and/or 3520-A are usually required to be filed reporting information about the trust.
- Registered Education Savings Plans (RESPs) with U.S. citizen contributors are considered trusts for U.S. purposes. Income earned in the RESP is taxable annually in the hands of the U.S. person making the contributions. Forms 3520 and 3520-A are also required to be filed.
- Income earned within Tax Free Savings Accounts (TFSA) is also taxable for U.S. purposes. If the TFSA is a trust arrangement, Forms 3520 and 3520-A are also required to be filed.
- The PFIC rules may apply to certain Canadian mutual funds and similar pooled investments.

Unfortunately, we see very few truly simple U.S. returns.