



# Tax Reform for Americans Abroad

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DEMOCRATS ABROAD CAMPAIGN IN A BOX

## INTRODUCTION

For the first time since the 1980's, Congress stands a chance of moving a comprehensive package of corporate and personal tax reforms to the floor. Now is the time for Democrats Abroad to focus and advocate for common sense tax reforms that:

- ❑ clarify and simplify filing
- ❑ make the tax code fairer for all Americans
- ❑ help reduce inequality and boost opportunity
- ❑ raise revenue from those with the greatest ability to pay
- ❑ do not add significantly to the federal deficit
- ❑ protect programs essential to national, community or individual well-being
- ❑ avoid creating loopholes to be exploited for tax avoidance.

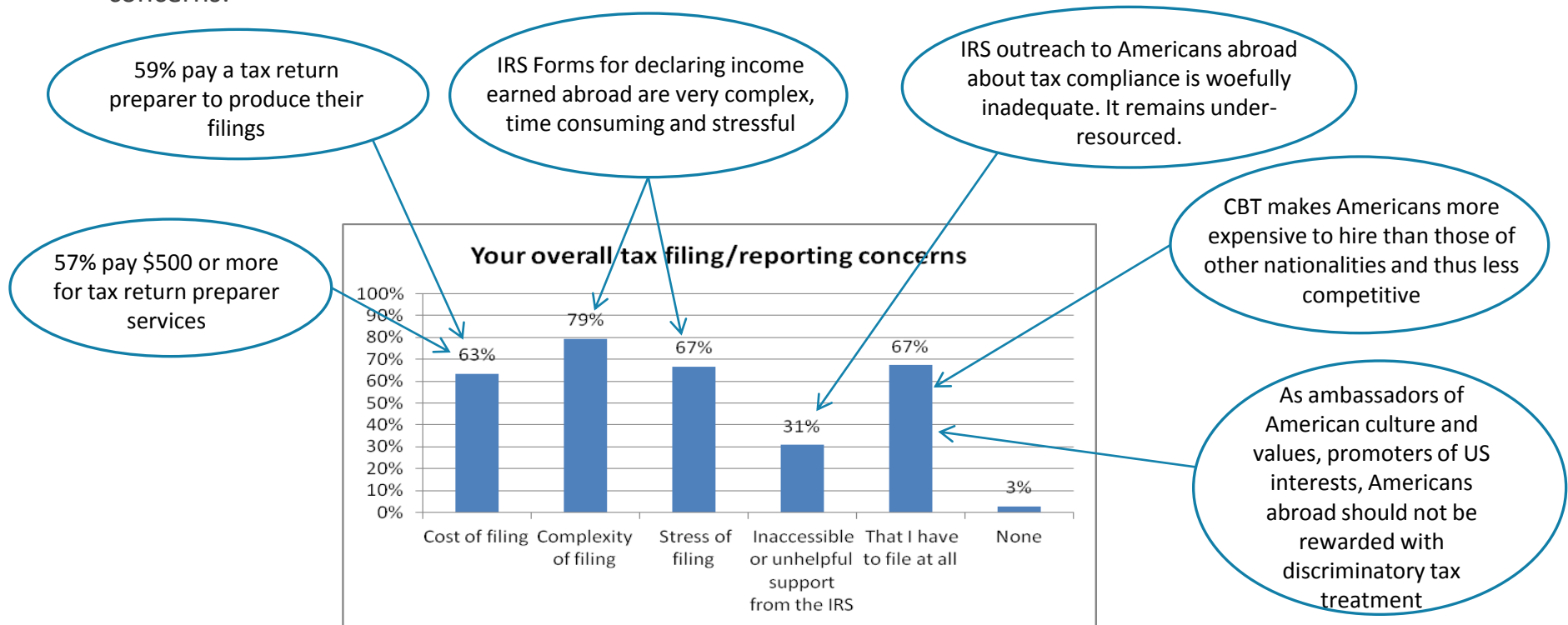
**We support tax reform package that ticks these boxes. But we also want changes to the tax treatment of the income of ordinary, hard working Americans living abroad who face taxation in both the U.S. and the jurisdiction where they live.**

Research just completed by Democrats Abroad clearly highlights the ways in which citizenship-based taxation imposes unnecessary and unfair costs and hardship on the estimated 6+ million tax-liable Americans living abroad, some of whom have never resided in the U.S. Let's use this opportunity to persuade Congress that we need the 2017 tax reform package to include a change from Citizenship Based Taxation (CBT) to Residency Based Taxation (RBT).

# TAXATION ABROAD = A YEARLY CITIZENSHIP FINE

Americans abroad face taxation in both the US and the jurisdiction where we live.

- Many types of income are not covered by the existing foreign earnings exemptions and so are subject to double taxation. The foreign tax credit often does not zero out all taxes owed.
- Some ordinary retirement savings programs and income streams are subject to punitive tax treatment
- Respondents to our research indicated these were their tax filing and foreign financial account reporting concerns:



## AMERICANS ABROAD DEMOGRAPHICS

### Americans abroad are ordinary, hard-working, middle class citizens\*

- 68% are married
- 70% have an income of less than \$100,000
- 70% are employed or self-employed, working part time or full time
- 90% have earned a bachelor or higher degree
  
- 60% are female
- 25% are age 65 or over
  
- 69% have lived abroad for at least 10 years
- 66% have no plans to return to the US to live

*The vast majority of the 9 million Americans abroad are ordinary, working class Americans who moved abroad in order to pursue a family relationship, an education or a job and decided to remain.*

***Americans abroad are not wealthy 'fat cats' and high rollers living overseas in order to game the international tax system. In fact, most Americans live in high-tax countries with a higher overall tax burden than the US.***

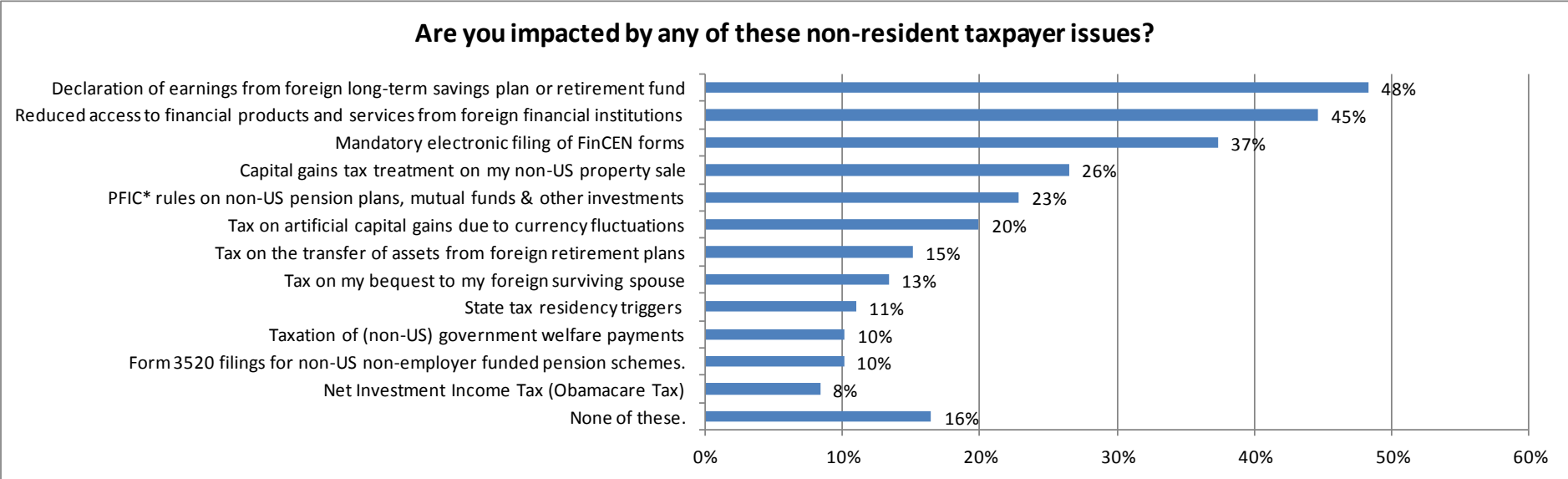
\*Demographic data pulled from an online survey of over 4500 respondents conducted in September, 2017

# DOUBLE TAXING SENIORS & SAVERS

## Long-term savings and retirement plans for Americans abroad are taxed punitively

48% of our survey respondents noted that their greatest tax problem is due to the double taxation or punitive taxation of earnings from their long-term savings and retirement plans.

Income types subjected to double taxation or punitive taxation include: Foreign retirement savings plans; capital gains on sale of non-US property; non-qualified non-US pension plans; social welfare payments from foreign governments; and bequests to surviving spouses.



Let’s use this research to persuade Congress of the need for a change to Residency Based Taxation. Please reach out to your Senators, your member of the House and as many members of the House Ways & Means Committee and Senate Finance Committee as you can. Here is some language that you can use to call, email or write a letter or postcard and send them our report, ***“Can we please stop paying twice? - Reforming the tax code for Americans abroad”***.

## TAKE ACTION - CALL CONGRESS

**Call Your Senators and Representative** and tell them:

*My name is \_\_\_\_\_ and I vote in your district/state. I live in [name of country] and like other Americans living abroad I am required to file taxes both in the US and in [name of country].*

*The IRS forms for declaring foreign income are very complex and the risk of making an error makes preparing the forms very stressful. Many of us pay hundreds or thousands of dollars for help filing the forms that show there is no tax to pay. Those of us saving for the future are paying tax on the same dollar of income to both the US and our country of residence. Every American abroad (and there are 9 million of us) would like to stop paying twice.*

*Please support adding a switch from our current system of citizenship-based taxation to residency-based taxation to the tax reform package.*

*If the US had a system of residency-based taxation, like nearly every other nation, then I'd still be required to report my US-based income to the IRS, but not the income I make in and pay tax on to [name of country].*

*Can I send you a report that profiles the hardship that citizenship-based taxation is causing Americans abroad? I think it makes a very persuasive case that the time is right to change our system to residency-based taxation.*

(Write down the name, title and email address of the person you'll send the report to).

*Thank you very much for your time and for your support!*

# TAKE ACTION - WRITE YOUR SENATORS

Writer's Name  
Address  
Date

Senator's name  
Address

Dear Senator \_\_\_\_\_

Re: Seeking your support for Residency Based Taxation

*I vote in [state] and I live in [name of country]. Like other Americans living abroad, I am required to file taxes both in the US and [name of country]. The IRS forms for declaring foreign income are very complex and the risk of making an error makes preparing the forms very stressful - and costly. Many of us pay hundreds or thousands of dollars for help filing the forms that show there is no tax to pay.*

*Those of us saving for the future are paying tax on the same dollar of income to both the US and our country of residence. We'd all like to stop paying twice.*

*My personal story is as follows... .*

*I am asking for your support to include in the tax reform package a change from our current system of citizenship-based taxation to residency-based taxation. If the US had a system of residency-based taxation, like nearly every other nation, then I'd still be required to report my US-based income to the IRS, but not the income I make in and pay tax on to [name of country].*

*I am enclosing a report that profiles the hardship that citizenship-based taxation is causing Americans abroad. I think it makes a very persuasive case that the time is right to change our system to residency-based taxation.*

*I value my US citizenship. I vote every year I can. I pay attention to US politics as much if not more than the average citizen. But I don't believe it's fair that I am taxed in [country of residence] as well as in the US on income I make abroad.*

Thank you

Kind regards,  
Name

Voting Address

Voting city, state, zip code

# TAKE ACTION - WRITE YOUR REPRESENTATIVE

Writer's Name  
Address  
Date

Representative's name  
Address

Dear Representative \_\_\_\_\_

Re: Seeking your support for Residency Based Taxation

*I vote in your district and I live in [name of country]. Like other Americans living abroad, I am required to file taxes both in the US and [name of country]. The IRS forms for declaring foreign income are very complex and the risk of making an error makes preparing the forms very stressful - and costly. Many of us pay hundreds or thousands of dollars for help filing the forms that show there is no tax to pay.*

*Those of us saving for the future are paying tax on the same dollar of income to both the US and our country of residence. We'd all like to stop paying twice.*

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*I am enclosing a report that profiles the hardship that citizenship-based taxation is causing Americans abroad. I think it makes a very persuasive case that the time is right to change our system to residency-based taxation.*

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Thank you

Kind regards,

Name

Voting Address

Voting city, state, zip code



# TAKE ACTION - SEND A POSTCARD

## **Sample postcard language – House of Representatives**

Dear Representative \_\_\_\_\_

*I vote in your district and I live in [name of country]. Americans living abroad file taxes both in the US and the country where they live. IRS foreign income forms are very complex. Many spend hundreds paying for filing help only to show there is no tax to pay. Others are paying tax on the same dollar to both the US and our country of residence. We'd all like to stop paying twice.*

*If the US had a system of residency-based taxation, like nearly every other nation, then I'd still be required to report my US-based income to the IRS, but not the income I make in and pay tax on to [name of country].*

*This report makes the case that the time is right for this non-resident taxation reform.*

*[www.democratsabroad.org/can\\_we\\_please\\_stop\\_paying\\_twice\\_tax\\_reform\\_for\\_americans\\_abroad](http://www.democratsabroad.org/can_we_please_stop_paying_twice_tax_reform_for_americans_abroad)*

*Thank You*

## **Sample postcard language – Senate**

Dear Senator \_\_\_\_\_

*I vote in [name of state] and I live in [name of country]. Americans living abroad file taxes both in the US and the country where they live. IRS foreign income forms are very complex. Many spend hundreds paying for filing help only to show there is no tax to pay. Others are paying tax on the same dollar to both the US and our country of residence. We'd all like to stop paying twice.*

*If the US had a system of residency-based taxation, like nearly every other nation, then I'd still be required to report my US-based income to the IRS, but not the income I make in and pay tax on to [name of country].*

*This report makes the case that the time is right for this non-resident taxation reform.*

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*Thank You*

# THANK YOU FOR YOUR HELP!!

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Questions? Get in touch at [TaxationTF@democratsabroad.org](mailto:TaxationTF@democratsabroad.org)  
OR visit our site at [democratsabroad.org/taxation](https://democratsabroad.org/taxation)