



# DEMOCRATS ABROAD

VIA EMAIL

The Honorable Janet Yellen  
Secretary of the Treasury  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, DC 20220

The Honorable Charles P. Rettig  
Commissioner  
Internal Revenue Service  
1111 Constitution Avenue, NW  
Washington, DC 20224

March 3, 2021

Dear Madam Secretary and Commissioner Rettig,

***RE: Improving IRS service to Americans living abroad***

Democrats Abroad extends its congratulations to incoming officials across the Department of Treasury and looks forward to working with new and existing staff to improve engagement with Americans living abroad.

**Submission to the Biden-Harris Transition Team**

Following a December briefing meeting with Biden-Harris transition team officials we were pleased to submit a short paper on issues impacting IRS service delivery to Americans living outside the U.S. It is attached for your review. Though the immediate concerns we detail in this letter involve pandemic relief and aid delivery to eligible Americans abroad, we will continue to make the case for the tax reforms in our submission to the transition team, including our urgently needed keynote reform, residency-based taxation.

**Americans Abroad and Pandemic Aid**

We wrote to former Secretary Mnuchin and Commissioner Rettig on numerous occasions last year to report problems Americans abroad were having accessing the aid programs in the CARES Act. The Mnuchin team did not respond, but the issues are still relevant. We look forward to working with your team to develop ways to alleviate problems facing millions of working-class Americans abroad as they attempt to access COVID aid. In brief, we noted:

- IRS.gov online tools do not accommodate Americans abroad because they do not accept non-U.S. contact and identification information;
- IRS.gov online tools have geo-blocks which deny viewing access to many Americans living outside the U.S.;
- inability to have aid paid by direct deposit to local (non-U.S.) bank accounts;
- serious delays and failures in the delivery of pandemic aid checks to Americans abroad due to international postal service disruptions;
- lack of a mechanism to report lost/missing aid pandemic check; and
- deficiencies in IRS outreach to Americans abroad about accessing CARES Act aid.

The impact of these problems was quantified in research we published in November 2020 about the experience of Americans abroad and the CARES Act.<sup>1</sup> It is attached for your information.

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<sup>1</sup><https://democratsabroad.atlassian.net/wiki/download/attachments/4271082033/Americans%20Abroad%20and%20CARES%20Act%20Aid%20-%20Research%20and%20Recommendations.pdf?api=v2>

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In our correspondence with Treasury through 2020, in our November 2020 published research and through our outreach to the IRS last year via the Congressional liaison, we made requests and recommendations to address these issues. We will continue to make the case for improving IRS service to Americans living abroad, which is of particular importance during times of personal and economic hardship like a global pandemic.

### **Improving Aid Delivery and support**

With Congress on the precipice of passing another major COVID relief bill we have these recommendations for Treasury and the IRS for improving the delivery of pandemic aid, advice and support to Americans living abroad:

#### **1. Adapt IRS.gov online tools**

The online tools the IRS provided to expedite the delivery of CARES Act aid were inaccessible to many eligible Americans abroad<sup>2</sup> because the system failed to recognize our international phone numbers or addresses. There were also reports that identification verification systems (that ask random questions answerable with data from public records) failed those who have been living abroad for many years. Lastly, it is our understanding that Americans abroad are entirely unable to create an IRS online account. Taxpayers claiming their Recovery Rebate on their 2020 tax filing were advised to consult this system to establish and then declare the amount of aid they were entitled to. Many Americans abroad whose payments were not issued or whose checks were lost in the international post, absent access to an IRS online account, will therefore struggle to claim their payment on their 2020 return.

**RECOMMENDATION: We ask the IRS to make adaptations to their online tools so that eligible Americans abroad can have the same access to them as all other Americans. Further, we ask the IRS to find a way for Americans abroad to create and access their U.S. tax information via an online IRS account.**

#### **2. Give Americans abroad the option to receive pandemic aid or other IRS payments by direct deposit into a local (non-U.S.) bank account**

Due to Know Your Customer and other bank regulations, Americans abroad without a U.S. residential address are often unable to hold accounts in U.S. banks. Research on non-resident citizens and U.S. taxation published in March 2019 indicated that 40% of participants had no U.S. bank account.<sup>3</sup> The research is attached for your reference.

Research by Democrats Abroad on Americans abroad and the CARES Act<sup>4</sup> indicated the following:

- IRS data indicates seventy-five percent of U.S.-resident pandemic aid recipients received the aid by direct deposit into their U.S. bank account, whereas only 31% of non-resident aid recipients received the aid by direct deposit. Almost all the rest received a U.S.

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<sup>2</sup> In research on the Americans abroad community undertaken by Democrats Abroad in January 2019 that attracted submissions from 9,885 U.S. citizens living in 123 countries, 45.4% had household income of less than \$75,000. A further 15.8% had household income between \$75,000 and \$99,000. Extrapolating these figures against the Department of State estimate that about 6.5 million Americans adults (citizens over the age of 18) live abroad, suggests that more than 3.9 million Americans abroad may be eligible for pandemic aid under CARES Act and the American Rescue Plan criteria.

<sup>3</sup> <https://democratsabroad.atlassian.net/wiki/download/attachments/4257416635/DATAPACK%20-%20Tax%20Filing%20From%20Abroad%20-%202019%20Research%20on%20Non-Residents%20and%20U.S.%20Taxation.pdf?api=v2>

<sup>4</sup> <https://democratsabroad.atlassian.net/wiki/download/attachments/4271082033/Americans%20Abroad%20and%20CARES%20Act%20Aid%20-%20Research%20and%20Recommendations.pdf?api=v2>

government check, which took on average 78.5 days to arrive, plus, for most, at least another week to clear.

- This means the average total wait time to have the aid in hand was at least 85.5 days or 12.2 weeks. This compares to IRS data suggesting 99% of aid payments to U.S. resident recipients were paid within 2 weeks.

**RECOMMENDATION: In order to expedite the delivery of the next round of pandemic aid payments to eligible Americans abroad we ask that the IRS give Americans abroad the option to have aid paid by direct deposit into their local (non-U.S.) bank account and to undertake the requisite alterations to the IRS “Get My Payment” tool so that we can submit our International Bank Account Numbers (IBANs).**

### **3. Establish a process for reporting lost/stolen pandemic aid checks**

Many Americans abroad live in places with postal service that is poor in the best of times. With international mail reduced to sea shipments only, and with pandemic-related postal disruptions still commonplace, all but those who live in major metropolitan areas, can expect U.S. government pandemic aid checks to take many weeks to arrive - if they arrive at all. See point 2 above.

**RECOMMENDATION: Presuming the American Rescue Plan will be administered similarly to the last two rounds of pandemic aid, we ask the IRS to develop a Lost/Missing Check system for taxpayers to report pandemic aid checks that have not arrived within 45 days of the start of the distribution of aid under the American Rescue Plan.**

### **4. Expand IRS support and improve IRS outreach to non-resident filers**

*The work of Democrats Abroad and the other organizations advocating on behalf of the Americans abroad community has included recommendations to help ordinary, working class citizens manage their U.S. tax filing obligations. We will also continue to make the case for policy reforms, including residency-based taxation.*

The Americans abroad community has been vilified for its relatively low level of tax compliance. We attribute this to many years of neglect by the IRS, decades of misinformation provided by embassies and consulates, the inordinate complexity of filing when managing the convergence of two taxation regimes and the high cost of hiring professional tax preparation support.

Research published in 2019 indicates that 55% of non-resident tax filers engage the support of a professional tax return preparer, which compares to 2-3% of U.S. based tax filers. Further, 61% incur a tax filing preparation cost of over \$500, which is at least twice what U.S. based Americans spend on average.<sup>5</sup>

Six of the nine FreeFile tax return preparation systems available to low- and middle-income Americans purport to support filers with a non-U.S. address. None of them, however, include all the forms typically needed by non-resident filers.

**RECOMMENDATION: We ask the IRS to require all FreeFile system providers to fully accommodate the needs of non-resident Americans by ensuring they contain all the forms Americans abroad typically required.**

The IRS Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) programs providing free, basic tax return preparation assistance for qualified citizens is

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<sup>5</sup><https://democratsabroad.atlassian.net/wiki/download/attachments/4257416635/Tax%20filing%20from%20abroad%20-%202019%20Research%20on%20Non-Residents%20and%20US%20Taxation.pdf?api=v2>

available to low income, elderly, disabled and non-English proficient filers. It is not, however, available to Americans living abroad. The VITA/TCE search engine links its users with VITA and TCE volunteers via their U.S. zip code. It makes no accommodation for Americans abroad.

**RECOMMENDATION: We ask the IRS to recruit VITA and TCE volunteers with the expertise and experience to help non-resident filers who are otherwise eligible for the service. We ask the IRS to establish a Global Locator to connect eligible Americans abroad to qualified VITA and TCE volunteers (skilled in declaring non-U.S. income) in their area/time zone or to those online.**

The tools and mechanisms the IRS has established to facilitate pandemic support to U.S. citizens have to a great extent failed Americans abroad. Democrats Abroad has responded to thousands of emails from Americans abroad seeking information and clarification about accessing pandemic aid.

**RECOMMENDATION: We ask the IRS to establish: dedicated, qualified IRS support teams with the specialist knowledge needed to address not only pandemic aid questions but also tax and filing issues, questions and problems routinely faced by Americans abroad; and an internationally accessible telephone helpline, an online Help Desk and an email address to facilitate questions and problems raised by Americans abroad.**

IRS messaging to Americans abroad is limited to website postings - that are often confusing and raise as many questions as they answer – and sporadic communications from embassies and consulates at tax filing time.

**RECOMMENDATION: We ask the IRS to:**

- Engage with the State Department to establish how to use its resources – websites, social media platforms and other mass communications systems – for messaging members of the Americans abroad community about tax and aid information; and
- Leverage the email and mobile phone data collected by the State Department from Americans abroad who signed up for Warden System or the STEP Program to message Americans abroad with tax and aid information.

**Lastly, we repeat our request for a mechanism for organizations representing Americans abroad to maintain a direct and on-going dialogue with Treasury and the IRS to address the needs of the Americans abroad community.** We believe it would benefit both the federal government and the 9 million Americans living abroad to establish a board or other body of representatives to meet with the IRS to discuss and resolve problems arising from rules that implement the Internal Revenue Code or legislation like the CARES Act.

Thank you for your interest in these matters. Please contact Carmelan Polce of our Taxation Task Force (+61 404 767 088 or [carmelan@democratsabroad.org](mailto:carmelan@democratsabroad.org)) or the undersigned with any questions about the information and recommendations provided herein.

Sincerely,  
/S/

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