



DEMOCRATS ABROAD

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

May 27, 2021

Dear Madam Secretary and Commissioner Rettig,

Re: Ensuring Equal Access to Child Tax Credits for Americans Abroad

Further to our correspondence of March 3 (attached as an addendum), Democrats Abroad notes the ongoing concerns and frustrations of U.S. citizens abroad in obtaining support and service from the Treasury Department and the IRS. This gap in attention and assistance has been particularly pronounced during the COVID pandemic; it has reached a new level in the IRS decision to deny American parents abroad access to the same Child Tax Credits (“CTC”) being provided to U.S.-based American parents. Americans abroad ask to be given equal treatment with all other U.S. citizens in relation to the programs that Congress has provided.

In truth, IRS guidance on the CTC has been so poorly communicated that tax advisors to Americans abroad disagree about what part of the Enhanced CTC American parents abroad will be denied; we do not know whether it is the advance payments or the enhanced CTC itself. The lack of clarity adds insult to the injury. **We respectfully request that the Treasury Department and the IRS urgently remedy these lapses in benefits and guidance, and also consider our recommendations for improving support to Americans living abroad.**

2021 CHILD TAX CREDIT CONFUSION

The IRS website provides this advice on the expanded CTC enacted in the American Rescue Plan (“ARP”) Act of 2021 (P.L. 117-2):

For tax year 2021, families claiming the CTC will receive up to \$3,000 per qualifying child between the ages of 6 and 17 at the end of 2021. They will receive \$3,600 per qualifying child under age 6 at the end of 2021. Under the prior law, the amount of the CTC was up to \$2,000 per qualifying child under the age of 17 at the end of the year.

The increased amounts are reduced (phased out), for incomes over \$150,000 for married taxpayers filing a joint return and qualifying widows or widowers, \$112,500 for heads of household, and \$75,000 for all other taxpayers.

*Advance payments of the 2021 Child Tax Credit will be made regularly from July through December to eligible taxpayers **who have a main home in the United States for more than half the year**. The total of the advance payments will be up to 50 percent of the Child Tax Credit. Advance payments will be estimated from information included in eligible taxpayers’ 2020 tax returns (or their 2019 returns if the 2020 returns are not filed and processed yet).*

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Democrats Abroad consulted tax return preparers servicing non-resident Americans and found disagreement on whether the U.S.-residency eligibility criterion (in bold above) relates solely to the advance payments or to the enhanced payments overall. There is also some confusion about whether the residency requirement relates to 2020 or 2021. If tax advisors who specialize in tax filings for non-resident citizens are uncertain then American parents abroad preparing their own filings certainly will be. **The exclusion of Americans abroad from this important family support program would be bad enough, but the language of the guidance is ambiguous and perplexing.**

Many American parents abroad are upset that they may be denied access to the ARP Act enhanced CTC. In a straw poll of American parents abroad attending a May 2021 Democrats Abroad webinar about the 2021 Child Tax Credit, 23% replied that it would help to receive the 50% advance payments, and a further 26% replied that they needed the benefits urgently. Their disappointment turned into outright irritation upon learning that they might be denied the whole of the enhanced CTC provided under the Act and being made available to American parents who satisfy the residency requirement.

In our polling we found that:

- 57% plan to file U.S. taxes and claim the CTC;
- 74% believe eligible American families abroad should be able to claim the full \$3,600/\$3,000 CTC;
- 66% believe American families abroad should be able to receive the advance CTC payments which begin in July.

We request urgent clarification of ARP Act CTC eligibility criteria and for the IRS to restore any deficiencies in benefits to American parents who live abroad.

Our polling indicates that many American families abroad have low awareness and knowledge of the CTC in the first place. 75% of our polling respondents were unsure of their eligibility. We reiterate our request (see addendum) that new IRS funding be used to expand IRS support and improve IRS outreach to non-resident filers. Making IRS information and assistance available from agents with specialist knowledge of overseas filing, manning dedicated, accessible, toll-free phone lines, web-based helpdesks and helpdesks at embassies and consulates would have enabled Americans abroad impacted by the pandemic to receive aid faster. It would also greatly support Americans abroad to maintain U.S. tax compliance generally.

IRS CTC PARENT PORTAL

We understand that the IRS will launch a portal for parents to indicate whether they would like to receive 50% of the enhanced CTC as monthly payments or the whole CTC as a refund in their 2021 tax filing. Sadly, we expect this portal to suffer from the same obstacles to access for Americans abroad as those that plagued the IRS's *Non-Filers: Enter Information Here* and *Get My Payment* portals. Those systems failed to recognize most non-U.S. addresses and accommodate non-U.S. phone numbers, both of which were essential to accessing the portals. Those few who were able to access the systems successfully found they were unable to enter non-U.S. bank account information, which caused substantial delays in the delivery of pandemic benefits.

THIS IS NOT NEW

Democrats Abroad has written on multiple occasions over the last year to express our concern about the procedures that the Treasury Department and the IRS has established for delivering CARES Act stimulus payments to eligible Americans living outside the United States. Those procedures ultimately delayed the receipt of much-needed financial support to eligible citizens. With new leadership in a new Administration, we hope our concerns and recommendations will be met with more seriousness and attention.

Research from Democrats Abroad published in November 2020 at the behest of Congressional staff found that one in three eligible Americans abroad with adjusted gross income below \$100,000 did not receive CARES Act Economic Impact Payments. Of those who did receive the aid, 70% received a U.S. government check. Due to pandemic-related postal delays and difficulty in many places in cashing even a U.S. government check, it took on average more than 12 weeks for recipients to access the funds, compared to 8 weeks for 99% of eligible Americans in the U.S. While Treasury made 75% of all stimulus payments by direct deposit into taxpayers' bank accounts, only about 30% of eligible Americans abroad surveyed received payments by direct deposit, despite research showing that about 60% of Americans living abroad retain U.S. bank accounts.

The IRS recommended that those without bank accounts on file use the online *"Non-Filers: Enter Information Here"* or *"Get My Payment"* tool. Unfortunately, our research indicates 80% of Americans abroad were unsuccessful in their attempts to use the *"Non-Filers"* tool and more than 57% were unable to use the *"Get My Payment"* tool. Though the *"Non-Filers"* tool had webforms to accommodate the non-U.S. address details of Americans abroad, it could not accommodate their phone numbers, preventing them from using the tool. The *"Get My Payment"* tool did not accept non-U.S. addresses or non-U.S. phone numbers, therefore blocking access to many eligible U.S. citizens overseas.

Most importantly, neither of the systems allowed users to enter an International Bank Account Number (IBAN) to enable direct deposit into the recipient's non-U.S. bank account. With the Social Security Administration, Department of Veterans Affairs, and Railroad Retirement Board able to pay benefits into local accounts of Americans overseas using IBANs, it seems reasonable that the IRS would be able to make stimulus payments or tax refund payments to Americans abroad using IBANs as well.

We respectfully request that systems administered by the IRS give Americans abroad the option to receive payments by direct deposit into their non-US bank account using an IBAN and that the IRS online tools be fully adapted for use by non-resident citizens. Among other things, the screens should be customized to capture successfully their non-U.S. addresses, non-U.S. phone numbers, and IBANs. These changes are critical to ensuring that eligible U.S. citizens living abroad can efficiently access the support that Congress has provided for them, just like all other Americans.

Further, we ask that the Treasury Department and the IRS show greater concern for the serious U.S. tax and reporting challenges citizens abroad face by acknowledging our situation and responding favorably to our recommendations (see addendum).

Thank you for your interest in these matters. Please contact Carmelan Polce of Democrats Abroad's Taxation Task Force (+61 404 767 088 or carmelan@democratsabroad.org) or the undersigned with any questions about the information and recommendations provided above.

Sincerely,

/S/

Candice Kerestan

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