



GILTI TAX FOR AMERICAN BUSINESSES ABROAD

2021 RESEARCH AND RECOMMENDATIONS FOR PROVIDING GILTI TAX RELIEF TO
AMERICANS ABROAD WITH SMALL TO MEDIUM SIZE BUSINESSES

DATAPACK

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Congress is developing proposals for the 2021 Budget Reconciliation Bill to reform the international taxation provisions in the 2017 Tax Cuts and Jobs Act (TCJA) which have blamed for a nearly 40% decrease in corporate tax revenue and an increase in corporate investment abroad. The Global Intangible Low Tax Income (GILTI) Tax, implemented as part of the TCJA, was meant to capture tax revenue from the profits of foreign subsidiaries of gigantic U.S. multinational corporations held offshore and arrest the offshoring of jobs and corporate investment.

Unfortunately GILTI Tax has also been assessed on the undeclared profits of small to medium size businesses supporting the families and futures of U.S. citizens living abroad. Whether this was a deliberate policy decision, an oversight in consideration, or an accident of drafting does not change the fact that the impact on Americans with small to medium size businesses abroad has been devastating. Research outlined herein demonstrates that point.

Americans abroad are making the case to Congress that an exemption from GILTI Tax on the profits of small to medium size businesses owned by Americans abroad with income under \$400,000 needs to be included in the 2021 Budget Reconciliation Bill. This reform is essential for rescuing many thousands of businesses abroad on the brink of collapse and preserving the pledge to protect Americans abroad with income under \$400,000 from tax increases.

In August 2021 Democrats Abroad hosted a research project to examine how the small to medium size businesses of Americans abroad are coping with the onerous new tax burdens created by the 2017 TCJA. We are using the findings in our work to persuade Congress to embrace our GILTI Tax reform recommendation for American business owners abroad.

We hope this data is useful to lawmakers, advocates and activists interested in understanding the experience of Americans abroad and GILTI Tax and working on ways to provide support and relief to the Americans raising families and building a future off the operations of their small to medium size businesses registered abroad.

Please contact the Democrats Abroad Taxation Task Force with questions: taxationtf@democratabroad.org

SECTION I - Research Participants

I.1 Citizenship

Dual Citizen - citizen of the U.S. and at least one other country	75%
U.S. Citizen	24%
Not a U.S. citizen	1%
	N=135

I.2 Gender

Male	56%
Female	38%
Gender variant/Non-conforming	1%
Prefer not to say	4%
	N=135

I.3 Age

18-24	1%
25-34	7%
35-44	12%
45-54	27%
55-64	30%
65-74	21%
75+	2%
Prefer not to say	1%
	N=135

I.4 Education

Master's degree	39%
Bachelor's degree	30%
PhD/MD/Law degree	20%
Some college but no degree	5%
High school diploma or equivalent	4%
Other qualification	2%
Associate's degree	0%
No High school diploma	0%
	N=135

I.5 Household Income

Less than \$25,000	4%
\$25,000 to \$34,999	6%
\$35,000 to \$49,999	4%
\$50,000 to \$74,999	13%
\$75,000 to \$99,999	16%
\$100,000 to \$199,000	29%
\$200,000 to \$299,000	10%
\$300,000 to \$399,000	5%
\$400,000 to \$499,000	1%
\$500,000 to \$999,000	4%
\$1,000,000 or more	1%
Prefer not to say	6%
	N-134

I.6 Minority and Constituency Group Identification

Women	45%
Senior	28%
LGBTQI+	9%
Hispanic / Latinx	7%
Veterans	6%
Asian American / Pacific Islander	5%
Black / African American	2%
Youth	2%
Disabled	2%
Native American	1%
	N=109

I.7 Marital Status

Married	67%
Single	7%
Divorced	6%
In a common law marriage/de facto relationship	5%
Prefer not to say	5%
Single in a relationship	4%
Widowed	4%
In a legally recognized civil union	1%
	N=135

I.8 Nationality of Spouse

Non-U.S. Citizen – Not a Greencard holder	62%
Dual Citizen holding both U.S. and Non-U.S. citizenship	24%
U.S. Citizen or Green card Holder	12%
Prefer not to say	2%
	N=99

I.9 Do You Have Children

18 years old or older	37%
None	30%
Under 18 years of age	24%
Children both older and younger than 18 years of age	5%
Prefer not to answer	3%
	N=131

I.10 How Long Do You Plan To Remain Living Abroad

Indefinitely, I do not plan to live/to return to live in the U.S.	63%
I do not know	21%
I do not know, but I plan to return to the U.S.	5%
10 years or more	3%
5 years to less than 10 years	2%
1 year to less than 3 years	1%
Prefer not to say	1%
Other	1%
3 years to less than 5 years	1%
Less than 1 year	0%
	N=135

I.11 Do You Plan To Retire Abroad

Yes	51%
Do not know	38%
Already retired	2%
No – returning to the U.S.	4%
No - moving elsewhere	4%
Other	1%
	N=135

I.12 Country of Residence of Survey Participants

Canada	39%	United Arab Emirates	2%
France	11%	United States of America	2%
United Kingdom	8%	Brazil	1%
Netherlands	5%	Cameroon	1%
Italy	3%	China	1%
Singapore	2%	Czechia (Czech Republic)	1%
Sweden	3%	Denmark	1%
Switzerland	3%	Guatemala	1%
Australia	2%	India	1%
Germany	2%	Ireland	1%
Japan	2%	Latvia	1%
Belgium	2%	Mexico	1%
Israel	2%	New Zealand	1%
Portugal	2%	Romania	1%
Thailand	2%	Taiwan	1%
			N=132

I.13 Voting State of Survey Participants

New York	16%	New Mexico	2%
California	15%	North Carolina	2%
Pennsylvania	9%	Ohio	2%
Florida	9%	Oklahoma	2%
Massachusetts	7%	Oregon	2%
Illinois	5%	Vermont	2%
Washington	5%	Alaska	1%
Texas	4%	Kansas	1%
Colorado	3%	Louisiana	1%
Wisconsin	3%	Maine	1%
Arizona	2%	Michigan	1%
Connecticut	2%	Nevada	1%
Indiana	2%	South Carolina	1%
Maryland	2%	Virginia	1%
New Hampshire	2%	Wyoming	1%
New Jersey	2%		N=129

Section II - Businesses Abroad

II.1 Number of Employees

0-1	48%
2-5	23%
6-10	12%
11-20	5%
21-50	5%
50+	6%
	N=128

II.2 Annual Revenue

Less than \$10,000	11%
\$10,000 - \$50,000	12%
\$51,000 - \$100,000	14%
\$101,000 - \$250,000	21%
\$250,001 - \$500,000	16%
\$500,001 - \$1 million	10%
\$1.1 million - \$5 million	12%
\$5.1 million - \$10 million	2%
More than \$10 million	3%
	N=128

II.3 Length of Time in Business

Less than a year	4%
1 to 3 years	12%
4-10 years	31%
11-20 years	25%
21-35 years	14%
35+ years (founded prior to the period covered by the Repatriation Tax on undeclared profits)	3%
I closed/sold my business	7%
I want/wanted to start a business in the country where I live but have not because of GILTI Tax concerns.	4%
	N=144

II.4 Profit

Less than \$1,000	19%
\$1,000 - \$5,000	6%
\$5,001 - \$10,000	8%
\$10,001 - \$50,000	21%
\$50,001 - \$100,000	14%
\$100,001 - \$250,000	20%
\$250,001 - \$500,000	7%
\$500,001 - \$1 million	2%
\$1.1 million - \$5 million	3%
	N=128

II.5 Business's Rate of Taxation

Less than 15%	9%
15-21%	36%
22-25%	12%
26-28%	9%
29-30%	5%
31-35%	9%
36-40%	7%
More than 40%	3%
No Profit	10%
	N=91

II.6 Corporate Tax Rate of Country Where the Business is Registered

Less than 21%	52%
21-28%	32%
29-35%	12%
More than 35%	3%
No Corporate Tax Rate	1%
	N=114

SECTION III - Tax Compliance

III.1 Cost to Prepare U.S. Tax Filings

None - I prepared the filings myself	6%
Less than \$500	4%
\$501 - \$1,000	17%
\$1,001 - \$2,500	25%
\$2,501 - \$5,000	23%
\$5,001 - \$10,000	11%
\$10,001 - \$25,000	12%
\$25,001+	2%
	N=124

III.2 Change in Cost to Prepare U.S. Tax Filings since GILTI Tax

Increased by more than 50%	32%
Increased by 20-50%	37%
Increased by 10-19%	10%
Increased by less than 10%	7%
About the same.	14%
Decreased	0%
	N-94

III.3 Tax Compliance Cost as a Proportion of Company Revenue

Less than 1%	24%
2-5%	42%
6-10%	17%
11-20%	8%
21-30%	2%
30-50%	5%
More than 50%	2%
	N=107

SECTION IV - Repatriation Tax

IV.1 Repatriation Tax and the Survey Group

Respondents in Business prior to 2018	116
Respondents Who Calculated Repatriation Tax	29
% impacted by Repatriation Tax	25%
Respondents with a Repatriation Tax Liability	17
% with a Repatriation Tax Liability	59%
Average Repatriation Tax Liability	\$163,211
Paid Repatriation Tax Liability up front	35%
Paying Repatriation Tax Liability over 8 years, as allowed	65%

APPENDIX V - GILTI Tax

V.1 Approach to Calculating GILTI Tax

File as a shareholder in a Foreign Company: File Form 5471 and calculate tax at INDIVIDUAL marginal tax rate.	29%
File as a shareholder in a Foreign Company: File Form 5471 and make a Section 962 election, to calculate tax at U.S. CORPORATE tax rate.	24%
File as a Disregarded Entity: File Schedule C (to apply Foreign Earned Income Exclusion) and Form 8858 (Disregarded Entity information Return).	7%
File as a Disregarded Entity: File Schedule C (to apply Foreign Earned Income Exclusion), Form 8858 (Disregarded Entity information return), and claim an exemption from U.S. self-employment tax under a Totalization Agreement.	19%
I moved my company's shares into a U.S. C Corporation and calculate tax at the U.S. Corporate Rate	3%
Other	19%
	N=107

V.2 Has GILTI Tax Compliance Forced You to Alter the Business Accounting Treatment

Yes	46%
No	27%
Maybe/Do not know	26%
Other	1%
	N=125

V.3 Have You Restructured the Business Due to GILTI Tax

Yes, the company was/will be legally re-structured	20%
Yes, the operations of my business have been/will be re-structured	16%
No	49%
Maybe/Do not know	9%
Prefer not to say	2%
Other	4%
	N=132

V.4 Has GILTI Tax Altered or Influenced Your Plans to Invest in the Business

Yes	63%
No	25%
Maybe/Do not know	12%
	N=125

V.5 Has GILTI Tax Impacted the Competitiveness of the Business

Yes	52%
No	29%
Maybe/Do not know	17%
Prefer not to say	2%
	N=125