Submitted via email to discussiondraft@finance.senate.gov

March 31, 2025

Dear Senator Crapo:

Re: Discussion Draft of" Taxpayer Assistance and Service Act"
https://www.finance.senate.gov/imo/media/doc/tax_admin_bill.pdf

I write (briefly and quickly) to comment on the Draft "Taxpayer Assistance and Service Act".

My comments are restricted to Sections 201 to 206 of the draft bill which purport to address the concerns of U.S. citizens living outside the United States. I emphasize that I am writing in my personal capacity and this letter is separate from the submission from "SEAT" (an organization of which I am part.) While fully supporting SEAT's submission, upon further reflection, I believe that an additional and more direct submission would be prudent.

In summary, I believe that the draft bill fails to acknowledge, much less address, the injustices inflicted on Americans abroad by the U.S. extra-territorial tax system. The U.S. extra-territorial tax system is generally referred to as "citizenship taxation". The term "citizenship taxation" obscures what it really is and suggests that it is consistent with the meaning of U.S. citizenship. (I use the terms "citizenship taxation" and "extra-territorial taxation" interchangeably.)

The draft bill is written in a way that assumes that the issue is in the difficulty of compliance. It neither acknowledges nor suggests that the problem is with the substance of citizenship taxation instead of the process of compliance. **Because of the sole focus on compliance (while ignoring substance) I believe that the bill is actually dangerous to achieving the tax reform that is needed to achieve fairness, equality and justice for Americans abroad.**

Making it easier to comply with a system that is inherently wrong and does not serve the interests of the United States or its citizens is no improvement at all!

I urge the Committee to view this as an opportunity to recognize and address the fundamental injustice of citizenship taxation and NOT simply find ways to make compliance with an unjust system easier. To be clear, citizenship taxation is a system where:

1. The United States imposes taxation on the non-U.S. source income of individuals who do NOT live in the United States. (Example an individual who lives in France is subject to

U.S. taxation on his income earned/source in France or even any other non-U.S. country.)

2. The basis of the U.S. claimed right to tax non-U.S. source income is mostly because the individual was born in the United States (regardless of how long or whether that person actually lived in the United States). Therefore, a person born in the United States who moved permanently from the United States at the age of 10, is somehow supposed to pay the United States tax on non-U.S. source income for the rest of his life? What about a U.S. citizen born outside the United States who never lived in the USA?
3. Citizenship taxation results in double taxation (taxation by two countries on the same income). This is because (1) the country of residence claims the right to tax that income because the person actually lives there AND (2) the U.S. claims the right to tax that same income because the person was born in the United States. (What could go wrong?)
4. The double taxation of Americans abroad is NOT eliminated in all cases by foreign tax credits or the foreign earned income exclusion (contrary to the nonsense that the tax compliance industry and academic community spew).
5. Like resident Americans, Americans abroad may not actually owe money to the IRS every year. But unlike, resident Americans, the compliance burden (the forms and special rules resulting from the non-U.S. source income and assets) for Americans abroad far exceeds that of resident Americans. (It is not uncommon for Americans abroad to pay thousands of dollars a year in tax compliance fees.)
6. As has been noted by the Taxpayer Advocate for many years, Americans abroad are subject to threats of enormous penalties which bear absolutely no relation to the noncompliance.

The cumulative effect of 1 – 6 is that U.S. citizens residing outside the United States suffer:

1. extraordinary out of pocket compliance expenses (many pay thousands per year)
2. Uncertainty over what the laws mean and how they apply to them
3. tremendous anxiety related to fear of penalties (certain penalty for uncertainty conduct)
4. the huge opportunity cost of not being to meet the financial planning responsibilities to themselves, their families and their country of residence (the cost is incalculable)

To add insult to injury, the compliance burden is so complex that it takes many Americans abroad months to meet their U.S. tax compliance obligations. For these reasons (coupled with the fear of penalties – the word “foreign” in the Internal Revenue Code is generally followed by the world “penalty”) more and more Americans abroad are renouncing their citizenship. They are NOT renouncing because they don’t want to be U.S. citizens. They are renouncig because of fear of penalties. They are renouncing because they find it impossible to comply with a nonsensical system that is, unique to America, reflects the worst of America and has rules that make compliance very difficult. How would you like to live “life in the penalty box”?

Americans abroad have been begging for relief for many years!

in 2015 the Senate Finance Committee asked for comments and in July of 2015 issued a report on International Tax Reform. On the last page of the report (if anybody got to the last page) appeared the following:

" F. Overseas Americans

According to working group submissions, there are currently 7.6 million American citizens living outside of the United States. Of the 347 submissions made to the international working group, nearly three-quarters dealt with the international taxation of individuals, mainly focusing on citizenship-based taxation, the Foreign Account Tax Compliance Act (FATCA), and the Report of Foreign Bank and Financial Accounts (FBAR).

While the co-chairs were not able to produce a comprehensive plan to overhaul the taxation of individual Americans living overseas within the time-constraints placed on the working group, the co-chairs urge the Chairman and Ranking Member to carefully consider the concerns articulated in the submissions moving forward."

Notice that suggestion to "carefully consider the concerns articulated in the submissions moving forward"!

You can read the full report here:

https://theinternationaltaxbipartisantaxworkinggroupreport.tiiny.site/

And if you are interested in some of those submissions from individual Americans abroad you can find them here:

https://www.box.com/citizenshiptaxation

It's now 2025 (time flies). Another decade has passed. The time has come to consider the problems of citizenship taxation in a "substantive sense". The time has come to abolish citizenship taxation altogether. The draft bill under consideration perpetuates the injustice.

No! it's NOT radical to consider ending citizenship taxation.

Senator Crapo, you are a Republican.

You are certainly aware that our Republican President Donald J. Trump pledged to end the "double taxation" of Americans abroad during his campaign.

You are certainly aware that Republican Congressman LaHood, in support of President Trump's pledge to end the "double taxation" of Americans abroad, introduced a Bill to end the double taxation of Americans abroad (by allowing them to opt to be taxed as though they were nonresident aliens).

There is clear momentum toward ending citizenship taxation. Ending citizenship taxation means that U.S. citizens living outside the United States would be taxable by the United States on ONLY their U.S. source income. (By the way, this is NOT radical. This is the international standard. This is how the rest of the world operates.)

The Draft "Taxpayer Assistance and Service Act" does "not much" for Americans abroad. Yes, compliance with U.S. citizenship taxation is a problem. But, the real problem is the unjust system of citizenship taxation to begin with. You don't solve a problem by alleviating the symptoms of the problem You solve the problem by – well, getting rid of the problem.

U.S. citizenship taxation is an issue for more than individuals living outside the United States. It's an issue for America as a country. It's an issue for U.S. corporations. As it stands, U.S. citizenship taxation:

- Provides disincentives for U.S. multinationals to hire U.S. citizens abroad
- Provides huge disincentives for U.S. entrepreneurs to create businesses abroad
- Even makes it difficult for Americans to even open bank accounts outside the United States

U.S. citizenship taxation does not serve the interests of America as a whole!

The time has come to bring the injustice of U.S. citizenship-based taxation to an end.

Q. How can ending U.S. citizenship taxation be achieved?

A. To change U.S. tax rules so that U.S. citizens abroad are taxed as though they are nonresident aliens (only on their U.S. source income)

Senator Crapo, I urge you to join with President Trump and Congressman LaHood to bring the U.S. practice of citizenship taxation to an end! It's time for the U.S. to stop imposing U.S. taxation on the non-U.S. source income of nonresident citizens!

You will be on the right side of history! You will participate in ending a great injustice rather than playing a role in perpetuating that injustice!

John Richardson

Toronto, Canada