

From my own experience filing U.S. taxes and trying to stay current with tax-related developments, these are the things that increasingly and regularly trouble me:

Extreme complexity and excessive amount of time needed to file U.S. tax forms when resident (and tax-compliant) in a different country, with different governmental purposes and policies governing income tax, savings (e.g., for retirement or children's education). I know it is common for people to complain about filing taxes, but for U.S. citizens abroad, the United States' system of citizenship-based taxation is a hardship over and above any "normal" effort required to complete and file tax returns. We cannot just insert numbers like U.S. residents do when they file taxes. We must convert currencies and then try to fit the square pegs of our so-called "foreign" types of income into the round holes of the U.S. tax forms that fit well with U.S.-resident income and accounts. Any two countries' tax systems are different. Having already paid income tax in the country where I live, I have owed no U.S. tax. But in order to demonstrate that no tax is owed, it is necessary (after having already filed income tax in my country of residence) to take a lot of time from my family life and experience a good deal of stress to also file U.S. income tax. It takes a heck of a lot of time to try to figure out U.S. tax rules and their peculiarities related to our so-called "foreign" income and accounts. Those of us resident outside the U.S. should be able to live in accordance with the tax laws and policies of our countries of residence.

Increasing disappointment, fear, and anxiety knowing that:

- We cannot, for example, establish education savings accounts for our children and grandchildren in the country of our residence because the U.S. would seemingly consider those as some sort of "sinister" foreign trust subject to extra complexity in tax filing and potential penalties. We cannot put our retirement savings into ordinary mutual funds where we live because those so-called "foreign" funds are apparently so horrible to the U.S. system that they are, as PFICs, subjected to extreme complexity in filing, taxed in a way that is way out of line with the rules of our own country of residence, and severely penalized.
- Those of us who live outside of the U.S., but (still) have U.S. citizenship (or U.S. personhood), are considered and treated as "tax cheats" and threatened with severe penalties simply because we live outside of the U.S. Our bank and other accounts are considered "foreign" by the U.S. government, even if they are just everyday checking accounts at a bank down the street in the neighborhood where we live. They are not "foreign" to us.
- We are required to report all of our checking, savings, retirement, and other accounts on duplicative forms of FBARs and 8938 – not just that we have such accounts, but locations, amounts, and other details. This certainly seems an unreasonable search, without a real basis. There is also the fear of excessive penalties, way out of proportion to any tax owed, for missing an account on a form. We have to submit the FBARs, *Bank Secrecy Act* forms, to the Financial Crimes Enforcement Network. That certainly is an annual reminder that we folk who consider ourselves just "normal people" are considered by the U.S. government to

be crooks, criminals, and tax evaders simply because we and the activities of our lives are outside of the U.S. What similarly ordinary person resident in the U.S. would be comfortable providing this information each year, reporting to a government unit that is theoretically set up to deal with real crooks, and feeling so controlled?

- With the onset of FATCA, we read and hear of banks closing accounts in countries of residence of U.S. persons living outside of the U.S. We hear that tax professionals are increasing already high fees to handle tax filing for U.S. citizens resident abroad, or that they are ceasing to deal with U.S. tax forms altogether. We hear occasional reports of U.S. politicians proposing punitive actions to further penalize “tax evaders” – but they don’t distinguish between U.S.-resident (true) tax evaders and normal folk living normal lives outside of the U.S. We just don’t know what the U.S. will do next that will negatively affect our livelihoods, our families, our retirement, and our lives, and this leads to increasing worry, fear, and stress.
- Frequently, when reading in various media about the complexities and increasing problems for U.S. persons abroad, we see comments to the effect that “If you don’t want to pay U.S. tax, then just renounce your citizenship and leave – easy!” It seems that a common perception of U.S. citizens abroad is that we sit under palm trees, counting our money while sipping expensive champagne. However, there are approximately 7.6 million U.S. citizens *already* living abroad, enough to make up a 13<sup>th</sup> most populous state, though without our own representation for our issues. It is not a matter of physically *leaving* the U.S. for these 7.6 million. We’re already outside. But with the recent escalation of fees for renouncing from \$0 to \$450 to \$2350 U.S., it seems apparent that the U.S. government wishes to make “leaving” one’s U.S. citizenship (if it should come to this) very difficult and financially prohibitive for ordinary folk. It all *seems* like a system set up to trap U.S. citizens/persons abroad into taxes and/or penalties.

#### Some Thoughts:

The purpose of tax is to support one’s country of residence, to fund its government, and pay for the services and benefits that we use, enjoy, and receive in the country where we reside. Filing income tax should not simply be a requirement of citizenship no matter where one resides, and with minimal or no receipt of service, tangible benefit, or representation; in this case, tax becomes a form of tribute, or a payment for citizenship.

The United States government should distinguish between (a) actual U.S.-resident tax-evaders and (b) normal folk who are U.S. citizens/U.S. persons but happen to reside outside of the U.S. U.S. residents’ income taxes, U.S. government budgets, and efforts of the IRS should be focused on actual criminal tax evasion by U.S. residents. There should be considerable savings for the U.S. if this were made the focus of the government; a real cost-benefit analysis should indicate this.

The U.S./IRS should not be spending time and money trying to extract taxes and penalties from working folk, families, and pensioners resident *outside* of the U.S., whose income originates *outside* of the U.S., and who pay their taxes where they live. Further, the U.S. should not require taxes or tax-filing from citizens of other countries who were born outside the U.S. to

U.S. citizen parents, or who happened to have been born in the U.S., but left as babies or older children, because their parents were visiting or temporarily working there, or because a U.S. hospital was the closest hospital for childbirth. Any U.S. tax paid by a person resident abroad for income originating abroad, constitutes a transfer of money from that other country's economy to the U.S., for no benefit to that country or the individual. I don't believe this is moral. It is simply wrong.

We live in a global world, and people move – to study, for love and marriage, for job opportunities and careers, or to experience living in another region. Many people move *within* the U.S. to a state other than where they were born, and they then have the freedom to live according to the tax laws and policies of that state of their residence. Those of us who have moved, for the same reasons but to locations outside of the U.S., should have the freedom to live our lives in accordance with the laws and policies of the countries of our residence. Also, U.S. citizens abroad need to be able to compete on a level playing field in the places where they reside with citizens of other countries. U.S. citizens abroad cannot do this while they alone are bound by citizenship-based taxation.

Bottom line: The United States system of citizenship-based taxation is contrary to all other countries (except Eritrea). I sincerely hope that the U.S. will switch soon to a system of residence-based taxation, to help individual U.S. citizens/persons resident outside of the U.S. be able to live normal lives, as well as benefiting the United States in a global world.