

Address to: [individual@finance.senate.gov](mailto:individual@finance.senate.gov) : working party on individual income tax

From: Marcia Astor (Lady Astor), [REDACTED] : tel. [REDACTED], [REDACTED]

[REDACTED], England [REDACTED]

Dear Sirs, I am an American by birth (1945). I left for Canada in 1947, and moved to England in 1964, where I have remained. I am a dual citizen. I used to stand up for America. Now I would like to resign.

Because of your “tightened” rules, I was advised two years ago to declare myself and to co-operate with your tax system. I have led a quiet and law-abiding life in England for fifty years, but I now find all my finances overcome by a disaster. I did not know that the biblical “sins of the fathers” had anything to do with working in Washington during WW2. Later in life, (nothing whatever to do with the USA) I am more prosperous, and now called a “covered expatriate”.

I have written to your working party on international tax. I am writing to report to you also. I find myself in a very tough and distressing situation.

The UK tax system allows a tax-free investment account (ISA) to accumulate with annual investments. We also use a lot of “unit trusts” and things you call “collectives”. No doubt there are similar incentives for savings and investment in the US (mutual funds?). Because ours are not exactly like US investments, you are punishing them with very complex reporting requirements and extra-punishing income tax treatment. This is effectively a “double tax”.

. This is also a huge boon to accountants. Accountancy fees have reached £110,000 (\$165,000?). Regular US income tax due on my investments over the five years reported came to about \$10,000.

The accountants found that I had, years ago, given funds to set up a charitable trust (for medical research into Parkinson’s Disease) with my late (British) husband’s legacy. The funds were given irrevocably to the British Charity Commission, and the income spent through the Brain Research Trust in London. They called it a “grantor trust”. I have now personally paid US income tax of over \$100,000 on all the trust’s (already spent) income, and on resigning as a trustee (to stop the effect), all the trust’s capital was added (nominally, not really) to my income and more income tax of \$257,000+ was levied. I am extremely distressed that my effort to help sufferers (of all nationalities) with that horrible disease has resulted in what is really a pretty “cruel and unnatural” punishment. There were no “tax breaks” involved with the gift. My English friends find this story almost unbelievable.

At this point, I might be keen to resign from my US connection. To do so I would have to have all my property valued, and taxed as income (exit tax) in order to be released. This would mean selling my farm, and maybe also my house, which have nothing to do with America. If I find that too sad, I can remain a citizen, filing tax forms. When I die, the US will tax my life insurance, and take away the farm, which would have to be sold to pay 40% to America. Farms pass untaxed to family in the UK and the US, but that rule is over-riden by one that says anything not taxed here will be taxed by the IRS.

I am advised to try to see this situation as a “natural disaster”. I feel it is an unnatural disaster, brought about (possibly unintentionally) by new laws which were not clear enough and which encompass some horrible anomalies for a group of citizens who have lived their whole lives abroad, caused no trouble, and taken absolutely nothing from the US in any way. The fact that there is no appeal and no US official available anywhere to discuss these problems is truly appalling.

As understanding of the current situation becomes wider, no doubt many expatriates, and certainly their children, will want to separate their affairs and their loyalties from the US as soon as they can. It is clearly not a privilege in my situation to be a US citizen. We may legitimately feel that we were “farmed out” with nothing, and turned into a “cash crop” to be harvested in later life, or death...

Laws, by definition, cannot fix themselves. They need constant oversight and adjustment to be seen to be just. May I suggest that the United States, with all its principles and high ideals, with an eye on its international reputation, and maybe even fairer treatment for its citizens, could do better? Please help if you can?

Yours sincerely,

Marcia Astor

