

Re: Senate Finance Committee Working Groups on International Tax & Individual Income Tax

From: Tasha Nathanson, [REDACTED]
[REDACTED]

I am an American citizen and naturalized Canadian citizen, living in Canada since 1989. My three children, all born here, are dual citizens by birth. I was widowed at age 37 in 2003, when my Canadian husband died suddenly, leaving me to raise our young children alone. One had a chronic, life-threatening health condition and I was not always able to work when she was quite ill. The result is that I will have very little pension and my own work career has been irreparably damaged. I survived on a combination of careful use and investment of the life insurance and a later inheritance, as well as the generous support of CANADIAN social programs: medical care (particularly for my sick child) and low-income supports for prescriptions and dental care, etc. when my children were young.

A residency-based tax regime is the only fair way to deal with my situation. I cannot plan rationally for my family's economic well-being when the US does not recognize the different tax policies in the country where I permanently live and work. My bank accounts are not "foreign;" they are Canadian, as am I and my life. Canada doesn't tax capital gains when I sell my house because they tax me on my mortgage payments - inverse of the US, but the US doesn't recognize that, which results in double taxation. Canada urges me to plan for the future with various tax policies, such as TFSAs (tax free savings accounts), which the US doesn't recognize and the bank tells me I cannot use because I am American. RESPs (Registered Education Savings Plans) are for Canadians to save to pay for their children's university education but the US does not recognize them, treats them as suspicious foreign trust funds with horrendous reporting requirements. And so on. The mis-match between policies and American refusal to recognize Canadian tax policy causes endless unfairness, excessive reporting and double taxation.

This problem has now been visited upon my daughters because they are US citizens by birth. Scholarships are taxed differently in the two countries, with the US only allowing annual tuition costs to be written off, whereas in Canada the most frequent scholarships are entrance scholarships meant to be spread over the course of all four years and which are entirely tax-free, including living costs. Imagine my daughter (born in Canada, attending a Canadian university, paid for by Canadian scholarships) reporting to the US on her income and finding she has come to the limit of what she can claim in the United States without paying taxes to them. She has never lived there for a day of her life.

I own nothing in the US. I take nothing from the US. I receive nothing from the US. I have not lived there in 26 years and have no plan to ever do so again. When I was in dire straights, it was Canada that kept me and my family afloat. I pay taxes here gladly, knowing that the money goes to the country where I live, work, invest, and volunteer and which has sustained me. I have no contact with the US – financial or otherwise – aside from occasional family visits and tax reporting: forms so long, convoluted, confusing, and difficult that I pay quite a lot to a specialist in US taxes to figure them out.

This is unfair, irrational, and damaging to me and to the idea of American citizenship and to the reputation of the United States. My understanding is that these laws were intended to catch US persons hiding assets in other countries when they are actually living as Americans. In cases such as mine, they play out instead as invasive, difficult, capricious, and onerous interference in our ability to live our lives and plan our futures in ways that others take entirely for granted. American citizenship is thus turned into a burden. That is not the way I would prefer to regard my country of birth. Surely I deserve the right to life, liberty, and the pursuit of happiness – and peace, order and good government – on equal footing with other citizens?

Please make taxation residency based so that we are only taxed once and can plan rationally.

Thank you.
Tasha Nathanson