

Ideas to make the nation's broken tax code simpler and fairer

Thank you very much for listening to the concerns of your citizens about the US tax code.

I'd like to briefly outline the difficulty I face with the current US tax code and then will provide a few suggestions you've likely heard before on how to simplify it and make it fairer.

I was born in Minnesota and raised in Iowa and lived in the USA until I was 30. I'm now a citizen abroad, living in Switzerland, and am married to a non-US citizen. Both of my children were born outside of the USA but have US citizenship, of which we're all very proud of. However we face significant challenges with taxes that can be outright infuriating.

Complexity

- It is so complicated I risk unwitting non-compliance. I have had a professional tax preparer (CPA) prepare my taxes for me and had to correct him on many different issues, most of which made me owe more tax. If the professionals can't figure it out, something is surely wrong.
- Finding a local preparer familiar with the US tax code is an unbearably expensive endeavor. Thousands of dollars for even a consultation before the preparation.

Fairness

- Only one bank will accept me as a customer because of the burdensome US tax-law compliance costs. If that bank changes its policy, I don't know what options I am left with.
- I get taxed on money I cannot access until retirement. In Switzerland, they have legally-required pension plans that are almost identical to the US 401(k). My company is required to put a certain amount in (8.5% of salary) and I am also required to put a certain amount in (4.5% to 8.5% of salary). Like a 401(k), this money is tax-deferred. Switzerland does not charge me tax on that money until I withdraw it upon retirement. Incredibly, the US *does* levy tax on this amount. This results in my Swiss taxes and my marginal tax rate being lowered, thus lowering my foreign tax credit, while that income that's at the highest marginal tax rate in the US piles onto my US tax bill.
 - The incentive for me here is to *minimize* my retirement savings. I contribute only 4.5% to try to make my Swiss taxable salary more closely match my US taxable salary to minimize this effect. Clearly there is something wrong there.
- In effect, I do not get paid competitively. I need to save up to buy a house in a very expensive housing market and I'm competing against people who only pay the Swiss

tax. The tax I pay to the US is 100% disposable income to them. My take-home pay is that of people a pay grade below me after I pay US taxes.

- The arbitrary way in which my country of residence sets up their social services greatly affects the amount I pay to the US. When I was living in London, they have socialized health care that's paid out of taxes. In Switzerland, you are required to pay for your own health insurance and medical bills. If Switzerland decided to go with a health care system like the UK's, I would essentially be paying my medical expenses via income tax instead of directly to the insurer and medical care providers. I could get the same services for the same price (in theory), but because I paid through *tax* my Swiss tax bill would be higher, thus my foreign tax credit would be higher, thus my US taxes owed would be lower. Essentially, that tax money would go directly into my pocket. It's tough to understand why I would be penalized for how the government handles its health care.

Suggestions for improving the tax code

- Exempt bank accounts from the country people are living in from FATCA. This would ensure that banks are willing to have US citizens like me as a customer.
- Treat Swiss retirement pension plans like you treat US retirement pension plans. This allows me to save for retirement and protect my future without having to pay a heavy price in the present while I'm trying to raise a family and buy a home
- Adopt residence-based taxation like the rest of the world.

Thank you again for listening,

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