

April 10, 2015

To: Chairman Hatch and Ranking Member Wyden

Re: Bipartisan Tax Reform for American Expatriates

Dear Senators and Committee Members of the Bi-Partisan Tax Working Groups,

I write to you as an American citizen living abroad to request urgent reform to the tax code as it affects expatriates.

I am a tenured college professor and a *New York Times* bestselling author, who is married to a Canadian and who is living in Saanich, British Columbia. We live about five nautical miles from the US border, and from my kitchen window I can see Washington State. I own property both in the US and in Canada. My husband has small children from a previous relationship, and so our all moving to the US is not an option at this time. One of the curious things about living abroad is that you come to understand very clearly how you feel about your own country, and I can say without a moment's hesitation that I love my country and am very proud to be an American. Never would I give up my American passport, and I believe that paying my fair share of taxes is right.

But the current tax situation is completely impossible and it creates real injustices that I urge the committee to consider. The problem is that the tax code is punitive for Americans like me who live on the other side of the border. And that punishment doesn't benefit the US in any way. As a result of the tax code for expatriates, I am required to pay to the Canadian government taxes that are much higher than I would pay if I were a Canadian citizen only. They are much higher than I would pay if I were living in the US as a US citizen. None of that extra revenue goes to the United States. The IRS code essentially forces me, as an American, to make extra tax payments to Canada for no good reason.

In my case, this primarily has to do with my being a writer. The current US tax code considers my writing passive income, although writing requires me to work actively each day. For liability reasons that I am sure the committee can appreciate, I need to write within the firewall of a corporation, and that makes this situation even more difficult. As you perhaps know, the bi-national tax treaty does not match up well between Canada and the US on matters of deemed passive income such as earning one's living by writing for advances on royalties. The result is that, rather than being able to build wealth as an American in my 40s—wealth that would eventually return to the US when we are able to come home, wealth that is created by US companies, wealth that I would use now to pay of my mortgages in the US and to buy US stocks and bonds and to invest in my country—I am giving a much greater proportion of my earnings each year to Canada than Canada requires of its own citizens simply because I am an American. That seems unjust and counter-productive for the US.

My situation is unique. Everyone's tax situation is. But what is not unique is the sense among American expatriates, in an increasingly global and mobile world economy, that

the tax code results in a series of unintended but very real injustices and financial punishments for law-abiding American citizens living outside the country. I urge the committee to find solutions that do not result in US citizens abroad having to pay large amounts of additional tax to foreign governments.

I would also like to speak to the costs of compliance. It is my responsibility as a US citizen to follow the laws, and I do so willingly. But I am doing my taxes right now, and this year my accountant and tax attorney bills have already topped the \$5000 mark. And I have not yet seen the bills for the actual filings. I estimate that compliance with the IRS as a citizen abroad will cost me somewhere around \$8000 this year—ten times what it costs me in the US. The tax code is so complicated, that most bi-national tax accountants don't understand it properly, and it has required involving tax attorneys on both sides of the border just to understand how to follow the law in my situation as a successful American author. This also seems to be an unjust burden on Americans living outside the country.

I would be delighted to speak with the committee further about my experiences as an American abroad, and I again urge you—as one American to another—to do what you can to ensure that the tax code treats all citizens fairly and in ways that encourage Americans to be part of building economic dynamism. Americans being able to participate unfettered in a global economy is ultimately in our nation's best interest.

Yours respectfully,

Tilar J. Mazzeo