

**TAXPAYERS  
PROTECTION  
ALLIANCE**

July 3, 2018

The Honorable Orrin Hatch  
Chairman  
Senate Finance Committee  
219 Dirksen Senate Office Building  
Washington, DC 20510

Dear Chairman Hatch,

The Taxpayers Protection Alliance (TPA), representing millions of taxpayers living at home and abroad, strongly support you and your colleagues' efforts to introduce territorial taxation for all US citizens. In an outdated policy from the American Civil War, citizens working abroad [must report](#) their income to the Internal Revenue Service (IRS) and pay their "fair share" to Uncle Sam *in addition to* host country government levies. This global assertion of US taxation power puts America in league with Eritrea as one of the only countries to subject citizens to taxation regardless of location. Moving back to system of territorial taxation for individuals would lead to a fairer system and stem the flow of American citizens renouncing their citizenships.

The Tax Cuts and Jobs Act helped to end the backwards policy of double-taxation for companies, allowing businesses earning profits abroad a reprieve from paying taxes at home and abroad. The same opportunity, however, was not extended to US citizens living abroad, who must still endure double-taxation regardless of where they live. Taxes are at their best when levied on individuals for services that they will likely use.

Notwithstanding fairness issues, the US's system of global taxation for citizens creates undue burdens for individuals seeking to make a living abroad. US citizens based in foreign countries are [required](#) to keep extensive documentation of dealings with financial institutions in other countries, including any and all foreign assets. Failure to report carries penalties of tens of thousands of dollars, without the notification and confidentiality safeguards normally afforded under tax law. Current tax law was simply not written to accommodate citizens living in foreign countries. Capital gains taxation, designed to prevent asset owners from idly accumulating wealth without the IRS getting a share, punishes expatriates by [taxing](#) "phantom" currency fluctuations. The holding of a foreign currency is treated similarly to holding a stock, despite the necessity of the former to live daily life in another nation. Relying on a foreign currency presents an additional conundrum for citizens paying the IRS overseas. The US government requires payment in American currency, despite some foreign rules banning the convertibility of local money into US dollars. Tax regulations, then, [actively encourage](#) US citizens to violate local currency regulations in order to fulfill American tax obligations.

Given these issues, TPA believes that the most prudent path forward is through harmonizing the tax treatment between corporations and individuals through a shift to territoriality. As discussions continue, TPA looks forward to staying engaged with you and your colleagues on these important issues impacting American citizens living and working overseas.

Sincerely,



David Williams  
President

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