



AMERICANS *for* TAX REFORM

June 2, 2017

The Honorable Kevin Brady
Chairman, Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Brady:

As your committee continues to make progress on comprehensive tax reform, I urge you to ensure that final legislation implements territoriality for individuals through the establishment of residence-based taxation.

Currently, there is a consensus on moving to a territorial system for businesses. Under the existing system, American businesses are disadvantaged when competing with foreign competitors because they face double taxation and burdensome international rules.

However, the system of worldwide taxation is not limited to businesses. American citizens also face this system as they are taxed regardless of whether they reside in the U.S. or in a foreign country.

Today, the U.S. is one of the few countries in the world with a system of citizenship-based taxation. This system affects an estimated eight million Americans that live abroad.

Under this system, American citizens residing abroad must comply with complex IRS rules and are double taxed on income - once when they earn it overseas and again by the U.S. government solely because they are citizens.

Moving to territoriality for individuals will end this needless double taxation. This reform will also increase job opportunities for Americans overseas and reduce the power of the IRS.

Currently, American citizens working overseas face a disadvantage compared to expatriates from other countries, as it is substantially more expensive for a business to hire an American. Implementing residence-based taxation will reduce compliance burdens associated with hiring Americans so that U.S. citizens working overseas are on a more level playing field.

Moving to residence-based taxation will also diminish the need for the IRS to act as a global police force. Because citizens residing abroad would (in most cases) no longer need to worry about paying U.S. taxes, this reform could reduce the size and scope of the IRS international division, allowing the agency to be streamlined.

It is vital that any tax reform legislation includes territoriality for individuals. Implementing a system where Americans are taxed based on their residence would make tax compliance far simpler and should be part of the effort to simplify the code for individuals.

Onward,

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