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Foreign Bank Account Report (FBAR) reporting requirements for American citizens living outside the United States are burdensome, unreasonable, confusing, redundant, and most likely ineffective in their current form.

The purpose of the FBAR is to discourage or prevent overseas money laundering and tax avoidance. From this perspective, the blanket \$10,000 threshold for reporting all foreign financial accounts is unreasonably low and ignores the financial realities of Americans living overseas. Foreign bank accounts are a necessity for receiving a salary, paying bills, and engaging in other completely routine financial activity. A combined balance of even a few hundred thousand dollars would be entirely routine for well-paid professionals.

Meanwhile, the low reporting threshold has little logical connection to the prevention of money laundering and tax avoidance. In reality, it is only individuals with significantly greater financial resources who can afford the complex financial structures and advisors who will assist them in legally or illegally avoiding the reporting requirements. In addition, the penalties associated with unintended errors (rather than intentional violations) can be disproportionately severe, far exceeding any potential tax liability and causing undue financial stress. In practice, the relative burden is greatest for those who pose the least risk.

Additionally, the FBAR reporting requirements are redundant, as similar information regarding foreign accounts must also be reported on US tax form 8938. This duplication of reporting serves only to increase the administrative burden on expatriates without providing any significant additional benefit in terms of financial oversight or tax compliance.

Instead of complicating the life of innocent Americans abroad with excessive penalties and burdensome filing requirements, the Department of Treasury should work with Congress to bring the US into line with the entire rest of the world in the way it taxes its expats.