

# **TAXATION TASK FORCE**

## **Schedule of Fees for Consular Services: Administrative Processing of Request for Certificate of Loss of Nationality (CLN) Fee**



# About Democrats Abroad

Source:  
<https://www.democratsabroad.org/>

- **Largest U.S. citizen organization outside United States**
- **200,000 members**
- **Volunteer-led grassroots organization**



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**Here to help**

## **Democrats Abroad Can Be A Resource**

- We have members all over the world who follow this and related issues closely.
- Many of our members are fluent in the local language that the laws and regulations are published in and read them in the original language.
- We speak regularly with the EU Banking Federation and UK Finance about financial access issues.
- We can be a resource for federal agencies on this and other international issues impacting Americans abroad.



# **America's unofficial ambassadors**

## **Americans Abroad are...**

- Exchange students
- Long term emigrants
- Retirees
- Short-term expats
- Love exiles
- Accidental Americans
- Trailing spouses
- Americans who never resided in the US
- Dual citizens



# America's unofficial ambassadors

- *“I strongly urge the State Department to discourage Americans from renouncing, and instead incentivize us to remain advocates and ambassadors abroad for America’s ideals and values, by pushing Congress to repeal the need for expats to file U.S. taxes.” [Comment DOS-2023-0026-0200](#)*
- *“One of the reasons that Americans renounce their citizenships is the unfair and wealth destroying tax system of US citizens abroad, of which I am one. I can not build a reasonable pension in the country where I live nor in the US. ... Most Americans abroad are valuable informal ambassadors for the State Department. But at what unfair personal cost.” [Comment DOS-2023-0026-0023](#)*



# Are all Americans abroad thriving?

*“To...shape an international environment in which all Americans can thrive.” – US State Department*

Concerning evidence indicates that the harmful tax policies lead some Americans abroad to:

- Hide themselves: don't renew passports, don't visit the US
- Hide their kids: forgo applying for CRBAs to avoid “passing the curse to one's children”
- Comply with tax laws but at immense financial cost
- Abandon or sell your business
- [Renounce](#)



**We need  
sustainable  
policies for all  
Americans abroad**

*Unresolved issues for Americans abroad  
directly undermine the diplomatic mission of  
the State Department.*



## Does State Dept have the full picture?

- While State Dept has acknowledged the role FATCA has in driving renunciations, it's not the full story...
- Most Americans are not expatriating to avoid US taxation
- However, expatriating citizens are **urged** to not mention *anything* about taxes (e.g. fear of being **denied entry** into US)
- DA's experience predicts that **renunciations** will **increase** when the fee is reduced





# It's not just FATCA (underbanking)

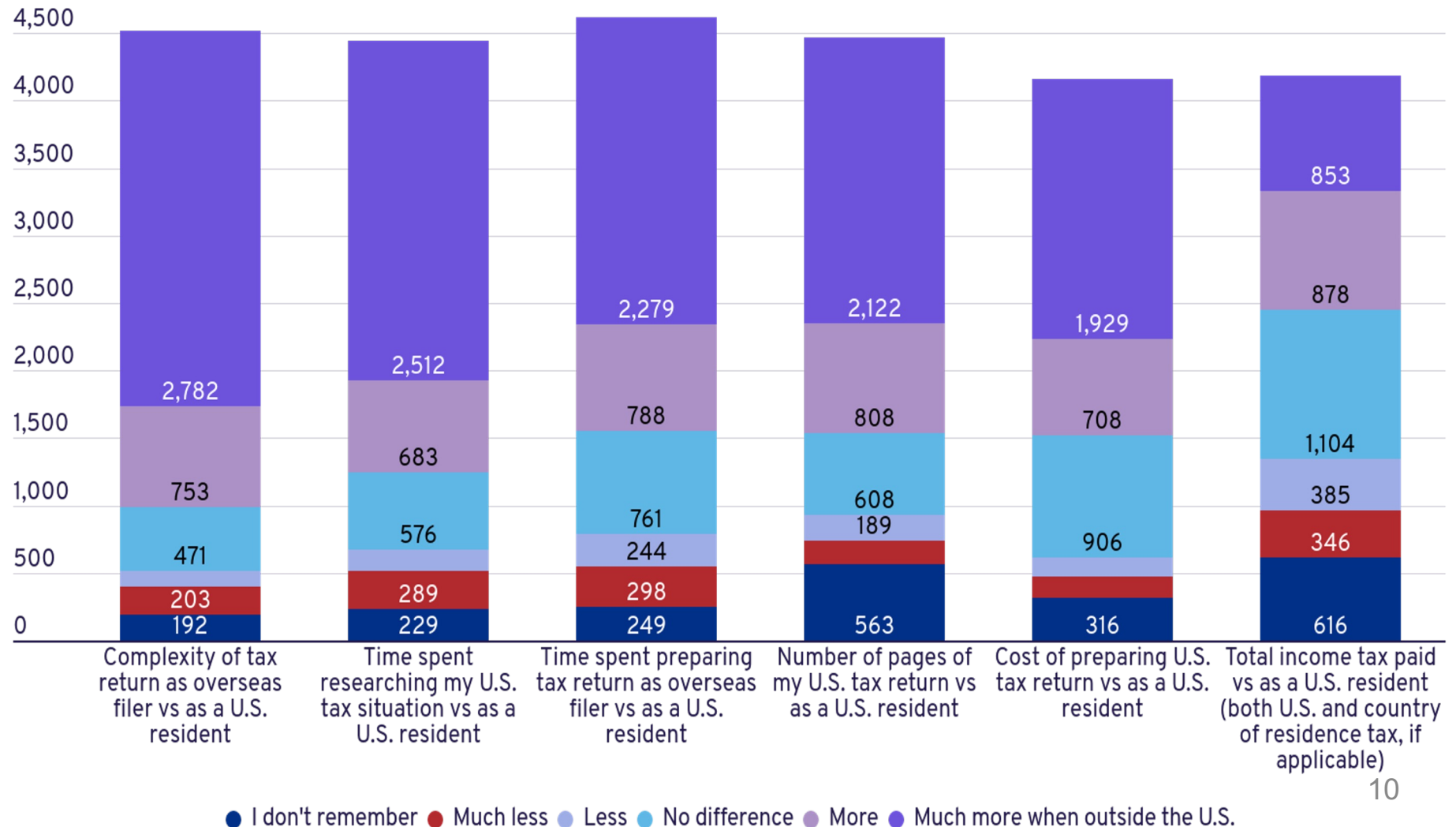
- Evidence is clear that **tax residency based on citizenship** is the *root cause*
  - Dutch discrimination case [2023-130](#), holding that refusal of US citizens is valid as long as extraterritorial tax and reporting obligations are attached to them
- Non-US banks deny or restrict services to US citizens because they are unwilling to accommodate such a small percent of the customer base
  - Some have strict “no US Person” policy
  - Some limit access to basic checking and savings
  - Investment & retirement products are sometimes disallowed or are highly unsuitable for US Persons



# It's not just FATCA (tax compliance)

*“The complexity of the tax code, the inability to easily comply, and the fear of severe penalties are so great that some taxpayers choose to relinquish their U.S. citizenship.” – [National Taxpayer Advocate](#)*

Filing outside vs inside the U.S.





# It's not just FATCA (penalties)

The US tax system, with respect to non-residents, attempts to achieve compliance through extensive financial disclosures under **threats of severe penalties.**

*“My son is now spending thousands of dollars to pay a lawyer to appeal a horrendously extravagant penalty because his CPA’s filing of one page of his declaration arrived a week late - although he owes nothing and is obviously trying to do the right thing.”*

[Comment DOS-2023-0026-0308](#)



# State Dept's Mission: Advancing Human Rights

## *Right to a Family Life: Article 16 UDHR*

How some families of Americans abroad are affected by the tax issues:

- Utilizing civil unions not recognized by IRS & many countries
- Avoiding marriage altogether
- [Divorcing non-citizen spouses](#)
- Forgo applying for CRBAs  
(See also Article 15 UDHR)
- Transferring title and assets to non-US family members
- Gifts and inheritances from non-US family to US family members treated with increased scrutiny under threats of penalties



## Summary

- Tax residency based on citizenship, associated compliance challenges, and consequences thereof is a key driver in renunciations by Americans abroad.
- Addressing the tax and financial access issues for Americans abroad would facilitate State Dept's mission.



## The Ask (OMB)

- Urge the State Department to investigate the comments and provide clarification on what is driving renunciations beyond just FATCA.
- Include the toll renunciation is having on the rights of Americans abroad as a qualitative cost in the final regs. [OMB Circular A-4](#)



## **Additional Actions (State Dept.)**

### Improve outreach and education:

- Issue tax & FBAR info leaflet with citizenship services at embassies
- Utilize STEP emails and social media to remind citizens to file 1040 and FBAR, etc.



# THANK YOU!



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