Ladies and Gentlemen,

It is an honor and a pleasure to be here in Washington D.C. representing American Citizen's Abroad and the millions of Americans living overseas who not only have a deep respect for the ideals that our country has been built on, but who have a deep concern for the current state of our union and in the direction of our country is heading in the 21st century.

Today I am here to guide you on some of the unique aspects of the United States Federal tax code that apply to our citizens overseas and, unfortunately, lead to 1) increased American unemployment and 2) decrease our ability to export our products, services and values around the world.

I have one simple premise that the best people to import America's exports are indeed Americans. We know our country the best and with little imagination one may believe that having more Americans living and working overseas, setting up companies overseas, and pulling American products and services to all corners of the world, we can be much more effective in stabilizing our country's financial future. As it is today, the United States has one of the lowest percent of its citizens living overseas; I believe this in no small part due to our tax code.

If you remember only three things, from that I say today, I would ask you to remember the following:

1. A country's tax code can be used strategically to enhance the ability of its corporations and citizens to compete in the global economy.
2. The most qualified people to import American products and services into other countries are indeed American Citizens.
3. The current American tax code, as it is written, puts American citizens and American small businesses, at extreme disadvantages leading to increased unemployment and diminishing our ability to export around the world.

Five years ago I decided to start my own small company overseas with the goal of helping people with what I am good at which is working with numbers and solving problems. I specifically chose to become a Certified Financial Planner professional mainly because of the deeply engrained code of ethics which requires CFP professionals to put our client's interests first when giving financial advice.

I specialize in working with Americans overseas and I have witnessed first-hand, hundreds of situations where hard-working individuals and small business owners are suffering due to the complex financial and tax rules surrounding Americans overseas. In scope of this panel, I am labeled an international tax expert, which I believe to be aspirational rather than completely factual. The more I read and understand about the US tax code for international individuals, the more I think expertise is an impossible goal.

If I can summarize my reading of US tax rules, as it relates to American individuals and small businesses overseas, three words come to mind:

1. Complexity
2. Inefficiency
3. Visionless

I am sure most of you have opinions about the US Federal tax code. All I can say is that familiarity breed's contempt. It is exponentially worse for Americans living overseas. In fact, I would say that most American CPAs and most employees of the IRS are unqualified to file or review a tax return on behalf of Americans living overseas.

I believe many of you have seen the recent news stories around large companies, like GE, that are encouraged by the US tax code to earn profits overseas (normally in low tax jurisdictions) and retain those profits overseas, so they avoid being taxed in the US until those profits are repatriated. The two back stories that the journalists miss here are:

1) That many of those same large companies have specific policies in place to limit the number of Americans they hire into overseas positions; and in several cases I have heard of, US-based companies aim to eliminate all of their overseas American expatriates for one reason…They cost a lot more to hire than non-Americans because of the unique aspects of the American tax code.

2) Small American-owned overseas businesses are largely excluded from these same tax advantages available to large companies and, in fact, they or their owners are also punished, just like American individuals overseas.

So now, how is it specifically that the American tax code today leads to greater unemployment and decreases exports? I'll give you some of the more common examples.

Depending on the country or the position, it can cost anywhere from 30% to 300% more to employ an American in an overseas position rather than a non-American. Why?

1. The United States is the only OECD country in the world to tax its citizens based on their citizenship. ALL other OECD countries tax based on residency.
    a. A typical American expatriate on assignment from a US employer will receive benefits such as: A housing allowance; English language schooling for their children; home leave for the family to go back to the US; tax preparation services; and often tax equalization so they don't end up paying higher personal income taxes than they would if they stayed in the United States. In

most European countries I know of, this leads to an American employee costing 2 to 3 times as much to employ as a non-American. So what do employers do? They find plenty of bright Europeans, Chinese, Indians, and other non-Americans, many of whom have studied and worked in the US, and they hire them for senior roles because they cost a lot less. Yes, this happens all the time.

2. Every small business owner with an overseas company has to file a form 5471 which is an information-only return that by the IRS's own instructions takes up to 3 weeks per year to fill out. About 300,000 of these forms are filed per year. If we assume 2 weeks per form on average, our small businesses are paying for the equivalent of 12,500 people's full-time salaries for an INFORMATION ONLY return for the IRS. What value does this add? It does almost nothing to increase the tax base and adds tremendous costs to small businesses. There are too many forms to fill out, many with the threat of large penalties and forms that no one even looks at.
3. Next is the FBAR, one of the worst 4-letter "F" words in the English language. For example, we require American citizens who have signatory power over their employer's foreign bank accounts to fill out FBARs even when they have no beneficial interest in the accounts. What does this mean? Any American working in the finance, treasury or senior role requires them to disclose private information about non-US companies to the IRS. And "breaking a foreign law" is not a reasonable defense in the eyes of the IRS for completing this form. So, the IRS encourages Americans to break foreign laws. What's happening is US citizens are having to choose between their career and their citizenship? Overseas employers don't want to hire Americans in most financial or senior roles when they understand this requirement. The FBAR itself is really a mess, but this one small part, which again leads to no increase in tax revenue, is leading to American unemployment overseas and a decrease in exports. Why? Companies are finding that doing business with America and Americans has too many financial risks. The unknown unknowns for most non-Americans and Americans alike are what scare them the most.
4. The FBAR penalty structure was put in place to give the Federal government another weapon to fight international drug cartels and money laundering. No one I know in the overseas American community supports tax evasion (or any other crime) and when used properly, this is an effective weapon against financial criminal activity. However, the FBAR regime combined with the Voluntary Disclosure programs is causing great damage to people whose worst crime in most cases was not being well informed about the American tax code. This is an important factor in many Americans overseas being 1) denied business opportunities; 2) denied employment opportunities; 3) getting pressure from non-American spouses and/or employers to consider renouncing their citizenship. Why can't we have the same penalties for Americans living overseas as for those who live in the US? Just a level playing field, not a draconian penalty structure, reporting that is "information only" and from 2011 required in multiple places and that puts many overseas Americans in conflict with

their employers. Complying with all of the FBAR rules requires many American sto break the laws of the countries they live in. This is unjust.

5. Americans overseas pay US taxes but have NO American unemployment insurance, making it even more risky to take an overseas posting. If we are going to tax overseas Americans they should at least get equal benefits.
6. Americans often pay US payroll taxes and foreign payroll taxes on the same income, but have no ability to use Medicare outside the US. This is especially the case for self-employed people who work in countries with no totalization agreement on social security…
7. Americans overseas have to keep all of their records in their local currency for local taxation and for US dollars for US taxation; companies are allowed to have a functional currency, why not American individuals?
8. Most of the overseas tax codes have very different rules, meaning that many of the tax treaties fail to properly negate double taxation.
    a. Best example is employee and employer contributions to overseas employer pension plans.
    b. We are even seeing the IRS trying to assess FBAR penalties on onverseas pension plans. How is it right to try and take about 25% or more of someone's retirement savings when they followed all of the rules of their country of residency and when most IRS agents and CPAs, much less, ordinary tax payers don't or did not know how to properly account for this. Only a few treaties deal with this as a tax issue effectively (eg the UK) but they don't address the FBAR part.
9. Americans buying property overseas and taking a mortgage in a foreign currency end up with a huge risk and potential tax on a phantom gain. E.g. Take a loan for 300,000 euros, (about $500,000) interest only for two years, then the dollar rises 20% in the next two years and the loan is paid off. $100,000 phantom gain on the mortgage taxable at 28 to 35% to our poor taxpayer…An extra $28-$35k tax hit for nothing?? This makes Americans overseas, when they understand the rules, reluctant to invest in real assets for their business and for their home.
10. US Citizens have a $5 million estate tax exemption, non-Americans have a $60,000 estate tax exemption on US property (including stocks in US companies). So, overseas investors are advised not to use US brokerages and to avoid buying US shares because 35% or more estate tax is too big a risk, there are better opportunities elsewhere…Or they just buy foreign mutual funds that hold US shares, taking more business away from American companies.
11. One of the newest threats to America's place in the financial world, again comes from within, a 5-letter F word, FATCA. Many countries are threatening to pull investments out of the US, to retaliate against US banks with the same reporting requirement or just plain deciding not to do business with US citizens or in the US markets. Americans are finding their access to banking and financial services

overseas limited more and more on both a personal and professional level. Less access to banking means less business overseas and less exports.

12. Americans who are married to non-Americans and who choose to live outside of the US are also punished. If they have no dependents, they are forced into a) including all of their non-American spouse's income on their US returns or b) choosing a filing status of married filing separately which has punitive tax rates and prevents them from other benefits such as Roth IRA contributions. I have heard of a number of cases where American spouses and children are being strongly pressured by their non-American spouses to renounce their US citizenship. This is not right.
13. Our tax treaties have too many inconsistencies. For example: Why should retirement accounts in countries like England be considered IRS qualified plans but retirement accounts in, say, Switzerland, are not and so employer and employee contributions are treated like income. This double taxation hurts the ability of Americans working overseas to save effectively for retirement and is another area that makes Americans overseas more expensive for employers.
14. PFIC, another 4-letter word. It stands for passive foreign investment company. Virtually every non-US mutual fund, hedge fund, exchange-traded fund, money market fund and retirement funds overseas are PFICs. US individuals who want to save and invest are penalized for owning PFICs. No favorable capital gains treatment, and worse, tax rates with penalties and interest can easily become 50-100% and each new fund requires complex tax reporting each year, even if no income has been realized. So, even if an American who decides to invest or live overseas can open an account to save for their retirement or meet their other financial goals, they are, often unknowingly, hit by these very complex rules that inhibit their ability to save enough money for retirement.

In summary, I would like to encourage the US Congress, as they embark on historic deliberations that will influence the financial health and stability of our country for several generations to remember the following:

1. A country's tax code can be used strategically to enhance the ability of its corporations and citizens to compete in the global economy.
2. The most qualified people to import American products and services into other countries are American Citizens.
3. The current American tax code, as it is written, puts American citizens and especially American small companies, at extreme disadvantages leading to increased unemployment and diminishing our ability to export around the world.

I encourage the Congress to search out business leaders who have a deep understanding of what it is to be an American living overseas and to design a more modern and easily comprehensible tax code that promotes rather than inhibits the ability of all Americans and

American businesses to compete on a level playing field at home and abroad. This, I hope, will be one strong element in returning our country to financial health.

Finally, I would like to say a special thank you to the Executive Committee Members of American Citizens Abroad, who have spent countless hours, on a volunteer basis, enlightening and informing Americans overseas of their rights and obligations and generally trying to improve the level of communication between American overseas and here in the United States. Since I first joined the organization, I have seen incredible progress in the professionalism of ACA and I encourage its hard working members to keep up the good work.

Thank you!