



Re: “International Tax Framework Discussion Draft”

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Submission on behalf of Stop Extraterritorial American Taxation (SEAT)

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Senate Committee on Finance

Re: “International Tax Framework Discussion Draft”

Please accept this as SEAT’s sixth submission to the Senate Finance Committee since March of 2021. The messages in each of the submissions have been that:

1. International Tax Reform affects far more individuals than corporations; and
2. The individuals most impacted by Tax Reform are: Individual US citizens living outside the United States who are tax residents (and often dual citizens) of other countries.

Clearly Senate Finance believes their proposed rule changes affect ONLY corporations. Nothing could be further from the truth.

Each of our submissions has been in the spirit of creating education, awareness and incentives to consider the impact on individuals of proposed changes in the rules of International Tax. Previous SEAT submissions may be found here. <http://seatnow.org/seat-home/seat-submissions/>

Your “International Tax Framework Discussion Draft” continues the pattern of callous disregard for how changes in the taxation of US corporations affect those INDIVIDUALS who carry on businesses (in order to feed their families) through small business corporations. This is true for both residents Americans and for Americans living overseas.

The individuals impacted are your friends and neighbours. They might run a local coffee shop, the town dry cleaning service, a tutoring service that helps your children and even the accountants who tirelessly and patriotically assist Americans abroad with their US tax filing and reporting obligations. Although legally corporations, they are the people who are important to creating, maintaining and sustaining communities. The Multi-national Corporations that are the focus of Senate Finance are a very small percentage of the corporations and individuals impacted by this legislation. Furthermore, they are corporations who are owned by thousands of shareholders for whom the shares represent a passive investment. They are nothing like the millions of small business corporations owned by a small number of shareholders for whom the shares represent their business/employment income and livelihood.

To be very clear, your proposal, if realized would make the situation for INDIVIDUAL small business owners worse than it already is (if that is possible). Your proposed draft is most notable in that it (1) assumes that ONLY multi-nationals have CFCs (2) doesn’t understand that far more INDIVIDUALS are impacted by this legislation than large corporations (3) neither acknowledges nor understands the impact

on Americans abroad and (4) seems to have no awareness of the problems of the US extra-territorial AKA citizenship-based tax regime.

By focusing on US corporations to the exclusion of INDIVIDUALS, the Senate Finance Committee is further eroding the viability of US citizenship for American entrepreneurs living outside the United States. This is not good for the United States.

It's time for the Senate Finance Committee to understand that by its tunnel minded focus on corporations, it is doing extreme damage to the INDIVIDUALS who whether at home or abroad are the "life blood" of the nation. Furthermore, it is high time that the Senate Finance recognize that its proposals, because of the extraterritorial tax regime have a profound impact on the lives of Americans abroad.

Indeed, the Senate Finance Committee recognized the problem of the extraterritorial tax regime, at least as early as 2015. That is when the [Senate Finance Committee Bipartisan Tax Working Group](#)¹ on International Tax concluded their [report](#)² with the following paragraphs:

According to working group submissions, there are currently 7.6 million American citizens living outside of the United States. Of the 347 submissions made to the international working group, nearly three-quarters dealt with the international taxation of individuals, mainly focusing on citizenship-based taxation, the Foreign Account Tax Compliance Act (FATCA), and the Report of Foreign Bank and Financial Accounts (FBAR).

While the co-chairs were not able to produce a comprehensive plan to overhaul the taxation of individual Americans living overseas within the time-constraints placed on the working group, the co-chairs urge the Chairman and Ranking Member to carefully consider the concerns articulated in the submissions moving forward.

In other words, in 2015 the Senate Finance Committee recommended that that the negative effects of the extraterritorial tax regime be specifically considered.

Six years have passed and there is still no movement on overhauling the taxation of individual US citizens living overseas, in spite of the clear directive from the International Tax Working Group. In fact, the situation for US citizens abroad has gotten far worse. This is due in large part to the enhancements to the Subpart F regime in TCJA.³ We informed the Senate Finance Committee in that regard in our submission dated April 22, 2021, [available here](#).⁴ For additional information about how American small business owners are affected by U.S. tax policies and most notably by the TCJA, see SEAT's recent survey, available [here](#)⁵ and [here](#).⁶

It is well past the time that the Senate Finance Committee act upon the call of the 2015 Senate Finance Committee Bipartisan Tax Working Group on International Tax, and finally accord to Americans living outside the United States the full attention, concern, and respect to which they are entitled as US citizens.

¹ <https://www.finance.senate.gov/chairmans-news/finance-committee-bipartisan-tax-working-group-reports>

² <http://www.finance.senate.gov/download/?id=E1FA3F08-B00C-4AA8-BFC9-7901BD68A30D>

³ *An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018*, Pub Law 115-97. Known colloquially as *The Tax Cuts and Jobs Act (TCJA)*.

⁴ <http://seatnow.org/wp-content/uploads/2021/04/SEAT-Submission-Overhauling-International-Taxation.pdf>

⁵ http://seatnow.org/survey_report_intro_page/online-survey-report/5-business-ownership/. This link demonstrates that few Americans living and operating small businesses overseas are wealthy or have high incomes.

⁶ http://seatnow.org/survey_report_intro_page/selected-participant-comments-dynamic-versions/. At this link, select "Small Business Owners" from the horizontal menu in order to read the testimony of Americans from all over the United States who are living and operating small businesses overseas.

It is also well past time to put an end to the taxation and banking policies that penalize them so severely and (in many cases) give them little choice but to renounce their US citizenship.

Thank you for your attention to these matters.

Respectfully submitted by:

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About SEAT – Education to Facilitate Change

Stop Extraterritorial American Taxation (SEAT) is an independent, nonpartisan organization with no affiliation with the tax compliance industry. The mission of SEAT is to provide an educational platform for individuals, policymakers, governments, academics, and professionals about the terrible effects of US extraterritorial taxation. The imposition of US taxation on the residents of other countries damages the lives of the affected individuals and siphons capital from the economies of other nations while eroding their sovereignty.

While [SEAT](http://www.seatnow.org) is created under the laws of France (Law of 1901), it is an international organization.

<http://www.seatnow.org>