Re: “Tax Subcommittee Hearing on Promoting Global Competitiveness for American Workers and Businesses”

Hearing December 3, 2025

Submission on behalf of Stop Extraterritorial American Taxation (SEAT)

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Email to: WMSubmission@mail.house.gov
House Committee on Ways and Means, Tax Subcommittee

12 December 2025

About SEAT:
SEAT is a Paris based organization which provides education and advocacy on behalf of “U.S. Persons” living outside the United States who are tax residents of other countries. A partial list of our contributions and advocacy is available on our site at https://www.SEATNow.org. Generally, SEAT advocates for ending the U.S. citizenship-based tax regime by severing citizenship from tax residency and replacing it with the international standard of taxation based on residence and source where citizenship is irrelevant.

This submission is not on behalf of any specific individual or organization. It is on behalf of the community of U.S. citizens living outside the United States.

Please accept this submission as a comment on the December 3, 2025, Ways & Means Tax Subcommittee Hearing: “Promoting Global Competitiveness for American Workers and Businesses”

Why SEAT Was Created:
Although the exact number is unknown, there are millions of U.S. citizens living outside the United States. U.S. citizens abroad generally fall into one of the following two groups:

- **Financial Center of Gravity in the United States:** Some (short term “expats” and “retirees abroad”) have accumulated U.S. based retirement savings and investments living under the U.S. tax system and retirement incentives found therein; and

- **Financial Center of Gravity Outside the United States:** Some (those who moved from the United States at a young age) live permanently outside the United States. Their businesses, employment, pensions and retirement/financial planning vehicles are organized under the tax rules of their country of residence. This is significant because the U.S. Internal Revenue Code imposes punitive taxation and reporting on certain non-U.S. income streams and assets.

The latter group, because of their non-US assets and income streams, are more negatively impacted by the U.S. citizenship (extraterritorial) tax regime. The Internal Revenue Code generally treats non-U.S. assets and many non-U.S. income streams with suspicion. The result is U.S. citizens living outside the United States are subjected to a

different and more punitive tax system than U.S. citizens living inside the United States as described here: https://web.archive.org/web/20220705022038/https://www.taxconnections.com/taxblog/the-united-states-imposes-a-separate-and-more-punitive-tax-system-on-us-dual-citizens-who-live-in-their-country-of-second-citizenship/

The unfairness is exacerbated because (other than the right to vote granted to some but **not all** U.S. citizens abroad) U.S. citizens abroad have no political representation inside the United States. To borrow from the language of Justice Stone in Carolene Products:

U.S. citizens abroad are a "discrete and insular minority".

The December 3, 2025 Hearing – Continuing The 2017 Tax Changes for Multinational Corporations

The hearing was almost exclusively focused on (1) The 2017 TCJA (tax changes for American Corporations) and (2) The 2025 **Public Law No. 119-21** (the "Big Beautiful Bill"). The hearing included incidental discussion of the Trump Tariffs. There was no discussion, consideration or analysis of how these tax provisions impacted individuals generally and Americans abroad specifically.

The hearing focused specifically on Sections 951A (creating the GILTI rules) and 965 (creating the Transition Tax) of Subpart F of the Internal Revenue Code. With the exception of Representative Plaskett's remarks (at the two hour and ten-minute mark of the hearing) ALL of the discussion focused on how the legislation impacted U.S. multinational corporations. Ms. Plaskett's comments (which recognize that individuals were treated differently from multinational corporations) may be viewed here: https://www.youtube.com/live/dSDF3VH6hnw?si=XYMAJ_-z9rdRjrOW&t=7800

The overwhelming consensus was that the 2017 TCJA and 2025 **Public Law No. 119-21 –** were beneficial to U.S. multinationals.

The same changes (as described by Ms. Plaskett) that benefitted U.S. multinationals created tremendous and unnecessary damage (as described in Appendixes A, B and C) to the lives of individual U.S. citizens living outside the United States.

Notably there was NO discussion of how Sections 951 and 965 affected individuals (whether living inside or outside the United States)

Yet, the Subpart F rules apply to ALL "United States Persons" which includes individual U.S. citizens (or residents) **including those who live outside the United States!**

By focusing ONLY on multinational corporations and not considering individual U.S. citizens, the hearing completely ignored the effects of the legislation on the vast majority of the taxpayers impacted by the changes to the Subpart F rules!

The businesses of Americans abroad are NOT multinationals

The businesses of Americans abroad are typically small and in corporate form only to optimize their lives in the countries they call home. Examples include dry cleaners, bookkeeping practices, small law firms, pizza stores, dance studios, etc. For these "United

States shareholders" living outside the United States, their businesses are local to them and are their livelihoods. These businesses are their retirement plans and their pensions. These businesses have been created NOT to defer income from U.S. taxation, but rather for tax optimization or legal requirements in their countries of residence.

Q. Transition Tax: What did the transition tax mean for Americans abroad?
A. The "Transition Tax" meant taxation on income not actually received
The transition tax forced an immediate U.S. income inclusion of income earned by the business but not received by the individual. Individual Americans abroad were taxed on income they never received! Often the "fake income" they were taxed on was to be used for retirement or for expansion of the business. This income (retained earnings of the business) was NEVER intended to be repatriated to the United States because:

The shareholders of the businesses were U.S. citizens living outside the United States. The corporations were NOT foreign to these shareholders. The corporations were local and created in their country of residence. The shareholders were individual people and NOT U.S. multinationals. The Appendixes tell the stories of U.S. citizens living permanently in Canada and other countries. Specifically, they describe how the 965 Transition Tax upended their retirement plans and created the potential for double taxation.

A. The "Transition Tax" meant possible double taxation on the same income
In many cases the 965 Transition Tax has or will result in the "double taxation" of those Americans abroad when they are taxed by their country of residence on the same income when the earnings are ACTUALLY distributed to the U.S. citizen shareholder.

Q. What did the 951A GILTI rules mean for Americans abroad?

A. The 951A GILTI rules created significant costs and administrative rules that ONLY U.S. citizens were subject to
The GILTI rules impact different Americans abroad differently depending on their country of residence. In all cases they impose significant administrative costs on U.S. citizens which are NOT borne by their local (non-U.S. citizen) competitors.

Conclusion: The TCJA and Public Law No. 119-21 helped U.S. corporations but hurt U.S. citizen individuals living outside the United States.
The rules of International Taxation, apply to individual Americans abroad **because of the rules of citizenship taxation**. What's good for the U.S. multinational may be (and often is) bad for the individual American abroad.

A question for the Ways & Means Committee
How can the Ways & Means conduct a hearing that focuses on the impact of the TCJA on one set of United Shareholders (U.S. multinationals) but ignore the impact of those rules on the group of U.S. taxpayers most impacted? There were far more individuals impacted by GILTI and the Transition AND individuals were impacted differently and very harshly.

A feeling of déjà vu (or is it like the movie "Ground Hog Day"
On July 7, 2015 The United States Senate Finance Committee on Finance released its report titled:
"The International Tax Bipartisan Working Group Report" found here:

https://www.finance.senate.gov/imo/media/doc/The%20International%20Tax%20Bipartisan%20Tax%20Working%20Group%20Report.pdf
The conclusions to the report stated (page 80):

"F. Overseas Americans
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."

Here is a link to the submissions of individual Americans abroad:
https://app.box.com/folder/3414083388?s=ni9av58e2rea3j3hm3itnocsyw4utrgs

The time has come for Ways & Means to consider how citizenship taxation affects U.S. citizens abroad

It is now December of 2025. It is now more than ten years since the release of the 2015 report. There has been no consideration of the concerns articulated in the 2015 submissions. Furthermore, as the December 3, 2025 hearing demonstrated, Americans abroad are not considering in the very discussions that impact them most profoundly.

The real solution is (obviously) to end U.S. citizenship taxation and transition the United States to the international standard of residence taxation. But, as long as citizenship taxation exists it is incumbent on Ways & Means to consider the impact of U.S. tax laws on individual U.S. citizens living outside the United States.

SEAT per:

John Richardson, Laura Snyder and Karen Alpert

Appendix A – The Transition Tax

My name is Lee Shaffer and I am an American Citizen, born Dec. 20, 1953 in Detroit Michigan. In August of 1978 I immigrated to Canada to work for my family business.

I have been a faithful filer of my US income taxes since I moved in 1978

In 2017 I was caught in the 965 Transition tax. As I had retained earnings in my Canadian company.
These funds were to be used for my retirement. I had a tax bill of $385,000. Needless to say this tax bill took a big chunk out of my retirement. As of April 2025 I have made all my payments and my account is now zero. Needless to say I feel that the 965 Transition Tax was very unfair as I never took the money out of the company. When I did remove the

funds, I was taxed in Canada as income, and I turn I used those fund to pay my US tax bill, thus creating a double taxation issue.
Another issue I have with the IRS is the Obamacare Tax. Since I do not live in the US, I cannot use Obamacare, however I am taxed on it. For the tax year 2024, I was taxed $975.00. Needless to say I also feel that this issue is very unfair. Being taxed and receiving no benefit. One other issue is the high cost of paying an accountant to process and file my US tax returns. For the year 2024 I am receiving a refund, but had to pay $2,500 to process my return. I am quite sure that processing a US tax return in the US would not cost this much. The US should update the tax code. The US is only one of two countries in the world that tax on citizenship, the other being Eritrea in East Africa. The rest of the world taxes on residence. The US hould change the tax code from CBT to RBT taxation. I receive no benefits from the US yet I am taxed in the US.

One other issue that I have is I have I received penalties for not filing the 3520 & 3530A forms for 2017 & 2018. My accountant claims they filed the the forms however the IRS claim they never never received them I was penalties for 2017 for $10,000.00 and for 2018 $21,492.75. These are just punitive penalties' and have nothing to do with tax money owed I would like to point out, we fought the Revolutionary war to become independent from Britain. The slogan, "No taxation without representation" rings true. As an American living outside the US we have no representation. We are strictly as source of free tax money.

Regards,
Lee Shaffer

Appendix B – How the 965 Transition Tax impacted various individual Americans abroad – As described in the following Amicus Brief in the Moore case
https://ln5.sync.com/dl/f0dbd9600#8crzj89i-sgaz5btn-nkm9ihm2-uze5icbw

Appendix C – One Day in the Life of an American Abroad

I am a U.S. citizen originally from California's 52nd district. Five years ago, I moved abroad on a one-way ticket to pursue my longstanding dream making Europe my new home. Since then, I have become a German citizen, hold an elected position in my domestic party, and intend to make Europe my permanent home. Despite the fact that I draw upon no services in the United States, spend nearly no time there anymore, have no plans to move back, diligently paid my U.S. taxes while living in America, and now already pay exorbitant taxes in Germany – higher than I ever paid in the U.S., I've now experienced the consequences of the mere "crime" of being born a U.S. citizen living outside the U.S. comes with endless tax compliance headaches and even double taxation.

The U.S. government's tax system is designed to punish American expats with the goal that we never come out ahead. Far from protecting citizens or ensuring fairness, "our" government which allegedly protects our interests, guarantees that Americans abroad always pay the most locally—and then lose any benefit from tax-advantaged rules in their new countries. Essentially, it ensures that we always have the worst of both words. For context, Germany's average personal tax rate is significantly higher than the effective tax burden on a median U.S. household and I pay nearly half of my income in taxes and social contributions (the U.S. overall collects far less tax relative to GDP than European countries). In other words, I did not move abroad to dodge taxes; if anything, I pay much more here. Yet the U.S. still insists on taxing me too, piling one tax system on top of another. The U.S. legal regime is

not about catching “fat cat” evaders – ordinary middle-class expats like me, who do not have the wealth to hire top-rate accountants, tax lawyers, and structure sophisticated offshore accounts and trusts, are the ones being squeezed. Tax treaties are supposed to prevent double taxation, but they have a big loophole: a “saving clause” that lets the U.S. tax its citizens as if the treaty didn’t exist. Practical result: if Germany doesn’t tax something, the U.S. will – with no offset.

A practical example well illustrates point: Under German law, while I certainly may far more (short term capital gains are taxed under the hyper-progressive earned income regime plus solidarity tax in an addition to a host of other additional taxes), personal digital currency gains are (at least for now) remarkably tax-free if the asset is sold after a holding period of more than one year. The United States, by contrast, treats cryptocurrency as property and taxes capital gains regardless of holding period. What does this mean? The U.S. Treasury sees long-term digital asset gains as a tax-free “loophole” allowing them to disapply the general provisions of the Germany-USA DTA to tax them. The U.S. stays, “you’re not taxed -Pay Uncle Sam.” The German Finanzamt’s perspective is that they are not taxable and thus no tax credit is applied. A fair and civilized system would at least allow a tax credit of taxes paid in one country to another, but in this case it does not exist. I am therefore paying enormous tax and social contributions on my income, and that taxed income is subject to additional domestic tax and social contributions when invested or used to purchase goods and services (19% VAT), and I also face additional U.S. government tax, to the point where the near majority of my heard-earned labor merely finances one government or another. Had I at least been a German without U.S. citizenship, I’d be subject only to Germany’s exorbitant tax rates; but because I am an American abroad, I get two bills for the same tab. Truly, I’m living under two tax regime simultaneously, subject to the worst of both worlds.

On top of double taxation, the Foreign Account Tax Compliance Act (FATCA) has harmed me in very tangible ways. While living in Switzerland as a graduate student, I went to open a simple checking account for daily life. I was flatly denied – the bank employee frankly told me that they do not do business with Americans. Why? Because of FATCA. This U.S. law demands foreign banks ferret out and report U.S. customers or else face draconian U.S. penalties, so many banks conclude it’s not worth the hassle or risk. I was stunned and humiliated; I wasn’t asking for a loan or shady offshore services, just a normal bank account to pay rent and bill as a broke student. Yet thanks to U.S. policy, I was treated as an unacceptable risk by a foreign bank. So much for the supposed benefits of U.S. citizenship – my own government’s law turned me into a pariah customer abroad at a time where living as a student in Switzerland would have clearly helped. Even when I opened my bank account in Germany, due to the U.S. government’s repressive regime, it was made clear to me that I would not benefit from the privacy protections afforded to other residents. Nope. My bank will share every detail with the U.S. government as required under the “negotiated” agreement. But from the banks’ perspective, this is understandable. U.S. law casts a ridiculously wide net – even accounts with a few thousand dollars must be reported. Foreign financial institutions face a 30% withholding penalty on all U.S. transactions if they don’t hand over American account data. Unsurprisingly, banks react by “de-risking” – which means no Americans allowed. This outcome, driven directly by U.S. law, injures U.S. citizens abroad – precisely the opposite of what a government is supposed to do to its citizens.

I'm far from alone. Many U.S. citizens in Europe are being denied basic banking services because banks don't want the FATCA burden or legal uncertainty. Among those affected are so-called "Accidental Americans" – people who happened to be born in the U.S. (or born to U.S. parent(s)) but left the U.S. as infants or long ago, who often didn't even realize their U.S. citizenship status. They have zero ties to the U.S. – no economic or social connection – yet FATCA forces European banks to treat them as U.S. persons. Such individuals have seen accounts closed or denied, mortgages refused and lives upended. It's hard to imagine a more Kafkaesque nightmare: one day you learn that due to an accident of birth, you're expected to comply with complex U.S. tax filings and your local bank doesn't want you as a customer unless you can prove to the IRS you're clean.

Is this really how the U.S. government should treat its citizens overseas? FATCA was ostensibly passed to catch wealthy tax evaders hiding money abroad, but in practice it's punishing ordinary law-abiding Americans We expect our government to protect our interests, not make us radioactive to banks in our countries of residence. Being an ordinary, law-abiding American abroad has turned into a part-time job of paperwork and stress. Every year I must file two sets of tax returns (one to Germany, one to the U.S.) along with a slew of confusing IRS forms disclosing every aspect of my finances. Foreign bank accounts? I report them on annual FBARs to FinCEN (under threat of harsh penalties) Have a foreign mutual fund for retirement? That's a PFIC to the IRS, entailing nightmarish forms and potential punitive taxes. Hold a share in a foreign startup or business? That triggers Form 5471 (foreign corporation reporting) which can easily run 10+ pages and massive accounting costs. It never ends – dozens of forms, intricately technical rules, and one false move can cost you dearly.

The compliance burden is ruinous and dehumanizing. Apart from the enormous financial costs, the time and stress imposed on expats attempting to remain complaint with these onerous obligations cannot be underestimated.

Working a demanding job during the week, the expectation is that weekends are sacred time to recharge, develop personal relationships, enjoy life -unless of course you are a U.S. citizen. Many a weekend – many – has been ruined as I sit inside parsing IRS instructions instead of doing something, literally anything else, worthwhile with my time.

I feel less like a citizen and more like a perpetual suspect and colonial subject who must constantly prove to the IRS that I'm not a tax cheat, despite living a normal life abroad. Ordinary families should not need teams of international tax attorneys to simply exist. This system has turned into legalized, systemic torment and harassment of Americans abroad who, like me, are doing everything possible to stay compliant. And if I ever get married, I will have to worry about ensuring my spouse in this morass.

I shudder to think how much worse it is for U.S. citizens in countries without a U.S. tax treaty or intergovernmental FATCA agreement. At least I'm in Germany, which negotiated a tepid framework for avoiding double taxation, Americans in, say, Thailand, or UAE, or anywhere with no treaty – I can only imagine the nightmare of potentially full double taxation and FATCA reporting with no local government buffers. And woe betide anyone who slips up.

The penalties are grotesquely out of proportion to any tax owed (often no tax is owed, yet penalties can still hit for filing mistakes.). For example, if I mis-file or forget one annual FBAR form for my bank accounts, I could face a $10,000 fine. The mental toll of knowing

one slip-up could financially ruin you is extreme. I live in dread every tax season that I might overlook some obscure form or rule and invite a crushing penalty. The U.S. tax code as applied to expats is so complex even professionals struggle – yet the onus is on us to get it 100% right or else.

This feels like taxation and regulation without representation or benefit. I receive no meaningful services from the U.S. government in return for all these filings and payments. The roads, schools, and social programs my U.S. taxes fund are all stateside, not here. The argument that we benefit from "protection" of the United States government, leaves much to be desired, to say the least. The local U.S. consulate will charge hefty fees even for emergency assistance – No joke, it was advised on the Department of State website that I would need to sign a promissory note (loan) if I ever needed evacuation in a crisis. In the wake of the U.S. government's manifestly incompetent withdrawal from Afghanistan, we saw how "reliable" that lifeline is to American citizens. I would also be interested in asking the U.S. citizens held in captivity in Gaza for years how they feel the U.S has protected them and represented their interests. We're treated as milk cows to be squeezed (or worse, potential criminals), not as valued members of the national community. It truly feels like the social contract between the U.S. and its citizens abroad has been broken.

What makes all this even more infuriating is that it's unnecessary. The supposed rationale for FATCA and citizenship-based taxation is to catch rich tax evaders, but the same goals could be achieved in far less onerous ways.

In fact, a comprehensive multilateral system already exists: the OECD's Common Reporting Standard (CRS) for automatic exchange of financial information. Every other major country uses residence-based taxation, cooperating via treaties and the CRS to tackle evasion, but does so in an arguably balanced, reciprocal manner.

The United States is nearly alone in the world in taxing non-resident citizens, apart from two dictatorships, Eretria and Myanmar. I find this particularly ironic as the U.S, founded in part on the basis of tax injustice against British subjects, now treats me and my fellow expats as permanent tax subjects. Most expats are not demanding special treatment or benefits. We simply wish to be left alone without having to take the extreme step of renouncing our citizenship, a complicated, extremely expensive, and emotionally fraught measure. Nevertheless, the pain has become too much for many, and some have chosen to renounce their U.S. citizenship. Rather than addressing the cause of these renunciations, the U.S. Government has instead acted with animus towards its former citizens, raising the renunciation fee nearly sixfold and publishing a public "blacklist" of those who have relinquished their citizenship, a policy of state-sponsored "doxing" which cannot possibly serve any legitimate purpose and functions to humiliate and spite.

Taxpayers may proffer reasonable arguments about the proper rate of taxation. People residing in the jurisdictions in which they may avail themselves of government services or park their property in such countries benefiting from protections and purposefully avoid paying what they should, while benefitting from a country's services, should be punished. However, if we believe in the principle that one is in control of his or her own destiny, this current regime cannot stand. Those who purposefully chose to leave the jurisdiction of the United States should not be subject to its tax jurisdiction. This violates the principles of comity, undermines the U.S. as an ostensible provider of liberty and is manifestly unfair.

Sincerely Yours,
Tendai Mukau

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 is created under the laws of France (Law of 1901), it is an international organization.

http://www.seatnow.org