

September 19, 2018

Dear Chairman Brady and Chairman Hatch:

We strongly encourage you to adopt residence-based taxation at the earliest opportunity. Territorial taxation for business is an important pro-growth aspect of the Tax Cuts and Jobs Act of 2017. Doing likewise for overseas Americans doesn't just benefit them, it's also good foreign policy that improves security and prosperity at home.

Nine million American citizens live abroad. Many face serious challenges, but all must contend with the U.S. Internal Revenue Service. These burdens include a narrow Foreign Earned Income Exemption, the Foreign Account Tax Compliance Act, Federal Bank Account Reports, and now unintended consequences of the TCJA's repatriation/transition tax and the Global Intangible Low-Taxed Income regime.

No other advanced country imposes extraterritorial tax jurisdiction on its own citizens. American tax law is the aberration. American citizens abroad and the financial institutions that serve them must comply with both the foreign requirements and unique American impositions. Many financial institutions avoid American customers if possible.

These mandates hurt Americans as workers too. For some jobs, compliance burdens on employers and double taxation of workers make U.S. citizens cost much more to hire than foreigners. American workers have fewer job prospects than they should.

American citizens abroad create economic opportunities for Americans at home. Their connections bridge markets, making productive use of distributed, local knowledge. They expand consumption opportunities for Americans at home while providing foreign markets for American exports.

They also spread ideas. America was conceived in liberty, a great experiment in republican self-government with freedom and opportunity for all. These political traditions have made the United States wealthy, and they can help the rest of the world prosper too.

Overseas Americans are excellent ambassadors for our country. They cost taxpayers nothing, yet they connect deeply with their communities abroad. Their objectives are peaceful and cooperative. They are diverse: missionaries, businesspeople, teachers, students, researchers, and much more. Some of them actively seek to reduce conflict and generate prosperity, and others do good deeds as if led by an invisible hand while serving their fellow man in commercial settings.



They aid our security beyond economic development and conflict resolution. Living in foreign societies increases the chance that American citizens will get early warning of threats against our country and share them with the appropriate authorities. They also improve mutual understanding.

These security and prosperity benefits should be encouraged, not suppressed. Residence-based taxation is the global norm. Adopting it would also be an important and cheap way to enhance American influence throughout the world. We implore you to include it in upcoming tax reform legislation.

Sincerely,

National Taxpayers Union

Pete Sepp, President

Americans for Tax Reform

Grover Norquist, President

Center for a Free Economy

Ryan Ellis, President

Tea Party Nation

Judson Phillips, President

Hispanic Leadership Fund

Mario H. Lopez, President

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Andrew F. Quinlan, President

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