



## A Winning Formula for Economic Growth: Americans Abroad = Increased Exports = Domestic Jobs

The 5.2 million Americans living abroad pay taxes, vote in U.S. elections, and contribute to the American economy by opening foreign markets to U.S. goods and services, developing export programs, and promoting America's image overseas. Yet Americans abroad are unfairly discriminated against simply because, serving as teachers, missionaries, working for an NGO, representing a U.S. company, or for family reasons, they happen to reside outside the country.

- The President's Export Council in 1979 stated that "Americans at work overseas direct business to our domestic economy. If we are to increase exports in order to bring our trade accounts into balance, we must encourage more U.S. citizens to accept assignments with American business overseas." Yet since 1979, the policies of the federal government have only made it more difficult, not easier, for Americans to live and work abroad.
- Export markets overseas are critical to the ability of a U.S. business to employ more individuals back home. This is especially true for emerging markets in Asia and the Middle East where the U.S. is losing competitiveness daily to foreign counterparts. The same has been reported from business-oriented trade groups such as the American Chambers of Commerce in the Middle East and North Africa region.
- Enacting fair tax policies that place American employees overseas on an equal footing with foreign counterparts is critical to building a formula for positive domestic economic growth.

### TAX DISCRIMINATION

- Americans living abroad must pay taxes twice: once to the country in which they reside and work and again to the U.S. on all their foreign income. **The U.S. is the ONLY developed country that taxes its citizens living overseas on foreign-earned income.** This has made it too expensive for U.S. companies to send their employees abroad to grow their business.
- Mitigating measures against this double taxation have systematically been cut back by Congress. Now, Congress threatens to eliminate Tax Code Section 911, which would make it impossible for many Americans to continue to represent their country abroad and would force many more Americans overseas to return to the U.S.
- Because U.S. tax code is so complex for filers residing abroad, they must have their taxes prepared by specialized experts, which costs an average of **\$2,000 per filing**. Assuming an average of 1,000,000 tax filers, the total annual cost of compliance for Americans overseas is **\$2 billion dollars**, a high number in proportion to the tax revenue collected.
- The penalties for human errors on tax forms are also much higher on Americans abroad than they are on those residing in the U.S. For example, the penalty for failure to disclose assets is \$10,000 with a maximum penalty of \$50,000 for one taxable year.

## THE RIGHTS AND PRIVILEGES OF AMERICANS IN THE U.S. VS. AMERICANS ABROAD ACCORDING TO U.S. FEDERAL LAW

AMERICANS RESIDING IN U.S. TERRITORY	AMERICANS RESIDING ABROAD
Full access to banking privileges at an institution of their choice	Restricted access and limited choice due to FATCA reporting and interpretations of the Patriot Act
Standard IRS reporting requirements	Additional IRS reporting requirements
Capital gains based essentially on dollar assets	Sale of foreign assets can lead to fictive capital gains in dollars
Varying cost of tax preparation from low to high	High costs averaging \$2,000 per filing
Subject to taxation only in the U.S.	Subject to taxation in the foreign country of residence and in the U.S.
No conflict of varying tax systems	Often double taxed due to incompatibilities between U.S. and foreign tax systems
Contributions to domestic pension funds are tax deductible	Contributions to foreign pension funds are not tax deductible
Employers' contributions to U.S. pension funds are not added to individual's taxable income	Employers' contributions to foreign pension funds are added to individual's taxable income
Freedom to enter into joint-ventures or partnerships with other businesses	Restricted to less than 10% ownership in a foreign company due to IRS reporting
Freedom of choice in investments and securities	Restricted choice of investments and securities
No personal filing requirement on financial assets held with domestic banks	Must file the FBAR and now, under FATCA, also full disclosure of foreign-based financial assets with the 1040
Minimal reporting on pension funds, insurance companies, etc.	Additional reporting requirements for foreign pension funds, insurance companies, etc.
Standard penalties for human error or simple reporting omissions on taxes	Substantially higher penalties on errors or omissions on tax filings



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