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The Dark Road: The Worst Tax Law You've Never Heard About

It broke Ruth Freeborn's heart to give up her U.S. citizenship that fateful day last year. Unfortunately for the Oklahoma native, though, it was either that, or her family. Ruth's Canadian husband of 33 years, who earns all of the middle-class family's income, "simply could not go along with this situation," she explained. "To find myself suddenly not able to live, bank, save or to keep peace in my marriage while being American at the same time was shocking at first and deeply disturbing to me."

Ruth wrote "what must have been" hundreds of letters to U.S. senators and officials, clinging to the hope that something — anything — could be done to stop what felt like a nightmare. Even as she protested, federal bureaucrats claimed that what was happening to her, and millions of other innocent Americans overseas, was somehow a "myth." She knew it wasn't a myth — after all, she was living it.

More than three decades ago, Ruth moved to Canada with her husband to help care for his parents, who were elderly and ill. Then the young couple had a son who was born with multiple disabilities and illnesses, making a move back to the United States all but impossible. All those years, though, Ruth went out of her way at every opportunity to show her community what it meant to be an American — doing volunteer work, helping out neighbors, making sure school children could learn in the best possible environment.

"At every turn I made sure to mention to others that the reason I did so much volunteer work was that I was raised to be this sort of person in the United States by my American family," Ruth told The New American.

Then, in 2010, Congress passed and Obama signed a new tax law buried deep inside an unrelated "jobs" bill. That changed everything. Of course, even before that, it was already hard enough to be American overseas — filing endless amounts of paperwork with the IRS, paying taxes on worldwide income, disclosing foreign bank accounts and assets, and risking life-destroying penalties even for innocent mistakes. When the 2010 scheme became law, though, it was simply too much to bear.

Suddenly, Ruth, like millions of other everyday Americans overseas — missionaries, spouses, teachers, small-business owners, so-called accidental Americans who've never even stepped foot on U.S. soil, and countless others — were stuck in a Catch-22. Foreign banks were shutting down Americans' accounts. Many businesses no longer wanted anything to do with "U.S. persons," preferring to steer clear of the infamous IRS. Americans abroad were suddenly pariahs.

Ruth's husband, who makes around $50,000 a year as a technician, drew the line at giving the Obama administration unfettered access to all of the family's private financial information — and potentially even their meager savings if, for instance, the IRS claimed to uncover some minor mistake or oversight in the mountains of complex paperwork Americans abroad are forced to file every year. Moving to the United States was not an option either.

She cried a lot about it. "I'll never be truly over the fact that I had to lose my citizenship but, it has happened," Ruth said, adding that she is "horribly hurt" by all of it. "I still feel as if it must be some bad dream since it cannot be possible that the U.S., the country I loved with all my heart, has caused me to have to choose between my family here in Canada or my country of birth. And yet, it is real."

To the political class in Washington, Ruth doesn't exist. Like the millions of other Americans suffering hardship, she's just a "myth" to the politicians and administration bureaucrats searching, like a flailing drug-addicted giant on the verge of collapse, for just a few extra dollars to stay afloat just a little while longer. Washington is determined to collect that extra billion or so per year in taxes.

So, in 2010, without any hearings or analysis, the Foreign Account Tax Compliance Act (FATCA) — hidden in the misnamed "HIRE Act" and passed largely by Democrats — was officially born. In essence, it is an attempt to turn every foreign government and financial institution on the planet into extensions of the U.S. tax regime, and is supposed to work by imposing huge penalties — a 30-percent "withholding tax" on all U.S. transactions, including sales of securities — on firms that do not hand over all information they have on "U.S. persons" to the IRS.

Among the institutions snared in the scheme are banks, stockbrokerages, hedge funds, pension funds, insurance companies, trusts, and more. For foreign institutions that do not wish to participate, the alternative is total exclusion from U.S. markets. The scheme also forces all "specified" Americans to file more byzantine paperwork disclosing even more assets abroad with their annual tax return, Form 8938, under threat of more devastating penalties that in many cases could exceed the value of the actual assets.

How It Came About

Amid the 2008 news that Swiss bank UBS helped some Americans avoid taxes, the shrieking from Capitol Hill was deafening. "These tax evaders cost our country tens of billions of dollars every year in unpaid taxes, and honest, law-abiding taxpayers pay the price," claimed former Senate Finance Committee Chairman Max Baucus (D-Mont.), one of the chief proponents of the scheme. "Not only is this practice fundamentally unfair, this is money that could be used in any number of other important areas."

More recently, wild figures based mostly on fantastical claims rather than actual data have jumped to \$100 billion, \$150 billion, or even \$370 billion that Washington claims to believe is being "lost" to tax evasion. Democrats in Congress were determined to track down every last penny they believed they were owed, even if it meant turning the world upside down.

FATCA was based on "proposals included in President Obama's 2010 Budget," its architects in Congress admit. According to its congressional cheerleaders, it was supposed to bring in an extra \$8.5 billion of tax revenue to the Treasury *over the next decade*. (For perspective, the federal government spends over \$10 billion in a *single day*.) The added torment being endured by millions of innocent Americans living abroad — one of the new tax regime's myriad effects — is supposedly just collateral damage, or a "collateral benefit," as prominent anti-FATCA activist James Jatras with RepealFATCA.com put it.

"The real purpose, in my opinion, is eventually to achieve the power to receive all asset information domestically as well (once it's established no probable cause is needed, or even a 'suspicious activity report,' what's the difference), subordination of the global financial system to the IRS (and NSA) in a seamless surveillance web, and executive usurpation of the Senate's treaty authority," Jatras told The New American.

Fallout from the scheme may make the terror faced by U.S. expats look mild by comparison.

Millions More

Of course, Ruth Freeborn's predicament was hardly unique. There are an estimated 7.5 million Americans living overseas. Facing collections by an insatiable federal government drowning its citizens in debts, record numbers of those Americans are being forced to surrender their citizenship.

No publicly available comprehensive record exists of all citizens who either renounced or relinquished their citizenship; however, in 2012, State Department data suggest around 2,000 renounced, up from 1,781 in 2011. For perspective, just 742 renounced their citizenship in 2009. Last year, FBI numbers show more than 3,100 renounced — not including those who relinquished.

"The reality is that the U.S. tax system gives dual citizens a good reason to walk away from their U.S. citizenship or permanent-resident status," former federal prosecutor Jeffrey Neiman said about the growing trend. "It's a painful process but easier than staying in compliance with the law."

It is hardly an easy choice, but in many cases, it is now the only one for many U.S. expats — banks all over the world are starting to refuse American clients and shut down U.S. accounts. For a small-business owner or other middle-class American busy trying to sell U.S.-made products overseas, already at a massive disadvantage owing to being forced to pay taxes to two governments, such an obstacle can make it impossible to stay abroad as an American. The choices are either return to the homeland, or sever all ties with Uncle Sam.

"The biggest issue that we're seeing from Americans overseas is that they are being locked out of financial products and services," explained Marylouise Serrato, executive director of the group American Citizens Abroad, ACA Inc., citing FATCA and IRS compliance as the cause. "Some of the foreign banks have decided to remove Americans from their client list as a reaction to FATCA. A lot of the people affected are the small investors, people who just need checking accounts, savings accounts, to get by. They are the ones suffering."

Even IRS officials have acknowledged some of the damage. National Taxpayer Advocate Nina Olsen, who leads the Taxpayer Advocate Service (TAS) at the IRS, explained in a devastating report that "some foreign financial institutions (FFIs), such as DeutscheBank, HSBC, and ING have reportedly been closing out foreign accounts of U.S. citizens in response to FATCA's 'onerous U.S. Regulations.'" The official document concluded that the scheme "carries with it the potential for substantial resource burdens and significant due process concerns that will arise to the extent that the regime is not correctly and effectively implemented in practice as well as properly conceived in theory."

Outside critics have offered even sharper criticism. "FATCA supporters cite tax evasion — for which they provide extravagant figures — as justification enough for the law," Andrew Quinlan, president of the free market-oriented Center for Freedom and Prosperity, told The New American. "This is a red herring, which is why the government's own estimates found it would raise but a pittance of what they claim is lost to tax evasion. FATCA does nothing to identify or target those guilty of evasion, but instead treats all Americans who live, work, or invest overseas as guilty until proven innocent. It's like stopping a burglary with a nuclear bomb."

Other major concerns surrounding FATCA include the potential for massive damage to the U.S. economy, destabilization of American banks, an end to financial privacy worldwide and centuries-old constitutional protections, the emergence of a truly global taxation regime under international institutions such as the OECD (See the related article "A New World Tax Regime"), potentially hundreds of billions in compliance costs, and much more.

Citizenship-based Taxation

There are only two governments in the world that demand taxes from citizens regardless of where in the world they live. One is the gangster regime ruling Eritrea, where the all-powerful "president" and his party, the only legal one, have been in power since 1993. "Torture, arbitrary detention, and severe restrictions on freedom of expression, association, and religious freedom remain routine in Eritrea," Human Rights Watch says.

In 2011, the United Nations Security Council lambasted the Eritrean regime for its bizarre efforts to collect taxes from Eritreans all over the world. The Obama administration voted in favor of the sanctions resolution, which "condemns the use of the 'Diaspora tax' on Eritrean diaspora by the Eritrean Government … and decides that Eritrea shall cease these practices."

The Eritrean income tax on Eritreans abroad is two percent.

The other government that taxes all over the planet is the one in Washington. The U.S. government demands that citizens pay massive amounts of U.S. taxes and file mind-numbing amounts of complex paperwork no matter where they reside and work. According to experts, analysts, and victims of the schemes, the consequences have been devastating for Americans and the U.S. economy.

In a series of interviews with The New American, Roger Conklin, a former business executive who worked successfully in Latin America until the taxation of Americans abroad forced him to return home, explained some of the disastrous effects. Citing other experts, Conklin said the tax laws affecting Americans abroad are "so unbelievably complicated" that even with the best professional assistance, nobody can ever be sure that their IRS filings are correct. "The very wealthy can employ the best professional tax advisors money can buy, but cost-wise they are totally beyond the reach of the average middle-class American living and working abroad," he added.

Just how complex and burdensome is the IRS taxation regime for the millions of Americans abroad? In a 2012 report to Congress, National Taxpayer Advocate Olsen explained that there are 7,332 pages of instructions, 16 IRS publications, and 667 pages of tax forms that are applicable to overseas U.S. citizens. For foreign banks and firms seeking to be in compliance with IRS mandates, it is even worse.

When the "Tax Reform Act" was enacted in 1976, drastically increasing taxes on Americans living and working abroad, Conklin was in Brazil selling U.S.-made exports. "I simply could not survive this tax increase," he explained, adding that he was forced to return to the United States. Almost immediately after Conklin left, a French company with similar products manufactured in France came in and hired most of the same employees.

Within eight years, Conklin said, the French company was responsible for $1 billion in exports from France to Brazil, while U.S. exports of the products into that market had dropped to almost zero. It is no mystery why U.S. manufacturing and exports are dying, he said, pointing out that other high-wage countries such as Switzerland and Germany, which do not tax their citizens abroad, continue running massive surpluses.

The same phenomenon Conklin witnessed and experienced occurred worldwide. “There was a mass return of Americans, not only from Brazil but from around the world, as a direct consequence of that legislation,” Conklin continued, echoing his testimony to U.S. lawmakers. “Not coincidentally, the U.S. trade surplus that went down in history as the largest ever was in 1975.” Numerous others who spoke with The New American for this story echoed those concerns.

“But as a direct result of American companies and citizens cutting back and in many cases totally abandoning some foreign markets because of that 1976 legislation, not only was 1976 a trade deficit year, but the U.S. has never since recorded a single trade surplus,” Conklin explained. “Our cumulative trade deficit to date, which began in 1976, now exceeds $9.1 trillion and is currently increasing at the rate of $1.95 billion per day.”

Incredibly, however, instead of trying to fix the problems caused through its pursuit of more and more taxes from Americans abroad, Congress and the Obama administration adopted FATCA.

Recently, American Citizens Abroad submitted a proposal to the Senate Finance Committee asking Congress to replace citizenship-based taxation with residence-based taxation. “The United States is the only industrialized nation that maintains citizenship-based taxation, and it puts us at a disadvantage,” explained ACA executive director Serrato. “Residence-based taxation would simplify all of this, put Americans overseas on equal footing with other foreign nationals, and would reduce the need for legislation such as FATCA.” For now, though, the prospect of genuine, broad reform appears remote.

Economic Damage of FATCA

One of the underreported but major risks to the U.S. economy stemming from FATCA is the potential for wide-scale disinvestment from the United States by foreign institutions seeking to avoid the IRS, penalties, and huge compliance costs. In fact, countless analysts and financial giants have said the 30-percent FATCA “withholding tax” represents a powerful incentive to get out of U.S. markets entirely. The implications for the stock market, bonds, the dollar, and more could be *monumental*.

Estimates suggest there is currently more than $21 trillion of foreign capital invested in American assets and markets, with about $10 trillion of that in the stock market. However, that could change as FATCA enforcement begins later this year — possibly quickly. The Japanese Bankers Association, the European Banking Federation, the Institute of International Bankers, and others, for example, have all openly warned in recent years that some of their members could decide to ditch U.S. assets and markets in response to FATCA.

Luxembourg Bankers’ Association CEO Jean-Jacques Rommes, speaking to Democrats Abroad, warned that the best way for banks to lower compliance risks was simply to reduce the amount of American assets they hold. “In other words, divest from the US market, in general,” he explained, as summarized by the Luxembourg Bankers’ Association.

Multiple reports have suggested that small and medium-sized firms, unable to bear the compliance costs or the crippling withholding taxes, would be especially likely to ditch American markets. “On the institutional side, the cost of becoming FATCA compliant may be prohibitive for some foreign institutions, and therefore they will divest from their American holdings,” explained Douglas Goldstein, author of *The Expatriate’s Guide to Handling Money and Taxes* and director of Profile Investment Services Ltd. Indeed, compliance costs borne by the private sector are expected to dwarf the amount of additional U.S. tax revenue — perhaps by hundreds of times.

Goldstein explained: “Faced with the choice between paying to implement the new rules or divesting from U.S.-based assets, smaller foreign banks that can’t afford to shoulder these costs may choose the latter,” Goldstein added. “After all, there are plenty of promising new markets in which to invest.”

Plenty of evidence suggests the warnings ought to be considered carefully. Surveys of fund managers, for example, have revealed that a significant number would be willing to divest from U.S. markets as FATCA goes into effect. American Citizens Abroad reported on a 2011 KPMG survey of leading fund promoters across a dozen countries, most of whom had assets under management of more than $12 billion. They were asked whether FATCA could lead their funds to directly or indirectly disinvest from U.S. markets.

“For both the U.S. fixed income market and the U.S. equity market, 6 percent answered yes,” ACA reported. “Another 10 percent for the fixed income market and 7 percent for the equity market stated that it was thinkable to divest from the U.S. A whopping 29 percent for the fixed income market and 26 percent for the equity market replied that divestment depended on the detailed implementation rules for FATCA. In other words, for funds managers worldwide, divestment from U.S. securities markets is a real option.”

Needless to say, if foreign institutions started fleeing U.S. markets, the economic damage would be massive — potentially *apocalyptic*, especially considering U.S. trade deficits and America’s outsized reliance on foreign investment and outside credit just to function.

Lawlessness and Economic Havoc

Making capital flight from the United States worse — as well as the consequences of the act — are IRS mandates that would force American financial institutions to report foreign account holders to the U.S. government, and administration pseudo-treaties with foreign governments to share that information. Unlike FATCA, though, which was approved by Congress, the domestic component of the scheme is almost entirely the product of unauthorized executive-branch machinations.

The domestic information-reporting decrees, sometimes called “DATCA,” or the “Domestic Account Tax Compliance Act,” could result in potentially *tens or even hundreds of billions* worth of foreign deposits fleeing from U.S. institutions, according to multiple independent experts.

The capital flight could become so severe, documents show, and experts and policymakers told The New American, that it might even trigger runs on certain banks, U.S. taxpayer-funded bailouts, another economic crisis, a major devaluation of the already-struggling U.S. dollar, and a destabilization of the American financial system. The cost to embattled American taxpayers, businesses, and consumers would be enormous.

But the Obama administration has no plans to give up on DATCA’s implementation because receiving financial information on Americans abroad won’t happen unless America gives bank information on other countries' residents to them, as U.S. officials admit.

"We see no principled basis on which to require that financial institutions based in other countries collect and provide us with information on U.S. taxpayers, if we take the position that our own institutions should be exempt from similar requirements," explained Treasury Acting Assistant Secretary for Tax Policy Emily McMahon in a 2012 speech. "To the contrary, we believe that it will be critical to the success of our efforts to implement FATCA that we are able to reciprocate."

To that end, the Obama administration has been busy negotiating pseudo-treaties with foreign governments mandating the automatic exchange of financial information between jurisdictions — the U.S. Senate gets no opportunity to offer its consent on the deals, despite what the Constitution requires. Among the governments that the U.S. Treasury said were treated as having an "intergovernmental agreement" on FATCA in effect by March of 2014 were Costa Rica, Denmark, France, Germany, Ireland, Italy, Finland, Malta, Mexico, the Netherlands, Norway, Spain, the United Kingdom, Canada, Hungary, Mauritius, Japan, Chile, and more. Multiple Islamic dictatorships and "former" communist regimes were also lining up to sign tax deals with Obama.

If foreigners with U.S. accounts don't want that information shared — and there are plenty of good reasons for that — it is likely at least a significant number will close their U.S. accounts and send those funds elsewhere.

For about a century, U.S. policy has specifically worked to encourage foreigners to invest and deposit funds in the United States. FATCA-related schemes represent something of a dangerous turning point, analysts say.

Quantifying the DATCA Damage

In fact, according to analysts, hundreds of millions of dollars in foreigners' bank deposits had already fled just from Florida by mid-2012 in response to the scheming. That was before the controversial new reporting requirements were even in effect. The first reports on foreigners' accounts under the new reporting scheme were due to the IRS in mid-March. By early 2014, the Texas Bankers Association said some $500 million had flowed out of the state's banking system as a result of the IRS rules.

Thus far, there has been very little in the way of officially estimating the economic damage. "To this day, the Treasury has refused to do a cost-benefit analysis," explained George Cecala, a spokesperson for Rep. Bill Posey (R-Fla.), who has been a leader in Congress on trying to rein in the scheme. He also cited experts and analysis suggesting that the potential impact could be massive for the Sunshine State and the nation as a whole.

In all, it is estimated that U.S. banks have almost $4 trillion in liabilities to private foreign residents. Meanwhile, non-resident aliens — foreigners who do not live in the United States — have close to half a trillion dollars actually deposited in U.S. financial institutions, according to estimates cited in court documents that all sides appear to accept. Due to the controversial way the banking system is structured ("fractional reserve lending"), every dollar in deposits generates roughly $9 in lending.

If just 10 percent of those foreign deposits were to flee American banks and institutions due to the Obama administration's machinations — the conservative end of the estimates — the impact on the U.S. economy would be devastating. Based on surveys, some analysts and industry groups have suggested that as much as 20 percent of those deposits could be at risk of leaving the U.S. economy — perhaps even more.

"This is about trying to prevent a potential future financial crisis," Cecala from Rep. Posey's office continued in a phone interview with The New American. "This is not about protecting tax evaders; it's about preventing a future financial crisis. These regulations put at risk tens or hundreds of billions of dollars in deposits.… This is a very serious problem."

One of the most significant concerns is the potential for destabilization of the financial sector, Cecala said. "As many as two or three dozen institutions in Florida could be exposed to liquidity issues," he explained, adding that other states could see similar problems. "So that means the possibility of more bailouts.… What is the impact on the economy?"

The capital flight would also have a direct impact on American businesses, families, and more as banks deal with the carnage. "We're risking a run on deposits, and losing that money to other countries," Cecala continued. "That money is used to make loans to American families and small businesses."

Indeed, in more than 75 percent of the state-chartered financial institutions in the South Florida region, over 90 percent of deposits were from foreigners. Florida admittedly has a lot of foreign deposits due to its strong ties with Latin America and the Caribbean, but it is hardly unique.

Why Withdraw Deposits?

The IRS and the Obama administration, along with a lower-court federal judge who sided with them in an ongoing case about the mandate, contend that only criminals and those seeking to avoid taxes would be likely to withdraw their deposits from U.S. banks under the current and proposed information-exchange regime. However, anybody even remotely familiar with Latin America and other troubled regions of the world knows that is far from the case — the claim is preposterous, in fact.

Consider, for example, the wild currency printing and wealth confiscation so typical of Third World regimes. And governments and economies in Latin America are often unstable, leading people from the region to deposit significant sums into Florida banks, J. Thomas Cardwell, former commissioner of the Florida Office of Financial Regulation, said in testimony before Congress in late 2011 about the scheme, acknowledging that "citizens in some countries rightly distrust their governments."

While the administration has offered assurances that it would be careful with the sensitive data and not share it with problematic regimes, few believe the claims. The socialist regime in Venezuela, for example, is among the governments that have a tax treaty with the U.S. government and would presumably receive information on Venezuelans, including dual U.S. citizens, with accounts in American banks. Mexico does, too, along with some 80 other national governments.

"Dictators, demagogues, political partisans, corrupt state and local officials often act outside the law," continued Cardwell. "Extortion, abduction, robbery and embezzlement are facts of life. Providing such governments with a list of assets is felt by their citizens to jeopardize not only their property but also their lives and those of their families and associates." Such concerns were expressed recently after it emerged that the Obama administration was quietly negotiating a FATCA inter-governmental agreement (IGA) with Vladimir Putin's regime in Russia, as well.

Bypassing Congress

In addition to the potential economic havoc that could be unleashed on America by FATCA and its domestic component, DATCA, there are a wide range of troubling legal issues clouding the scheme as well. In fact, in its quest to implement the plot, the Obama administration is brazenly bypassing Congress. There is no mention of "inter-governmental agreements" or allowing so-called "reciprocity" in the actual statute that contains FATCA. There is also no authority to order domestic banks to collect and share information on all foreign account holders on behalf of foreign governments. And, already, enforcement of the vast and unimaginably complex taxation scheme has been lawlessly and unilaterally delayed several times by the executive branch — similar to the endless executive-branch rewrites and delays of the ObamaCare statute passed by Congress. Despite major concerns raised by lawmakers and others over their authority to do so, the IRS and the U.S. Treasury are moving full-speed ahead.

The U.S. Treasury does not have the statutory or constitutional authority to either gather or share wholesale financial information, according to lawmakers and legal experts.

The New American offered the Treasury Department multiple opportunities to explain what purported authority — statutory, constitutional, or regulatory — it believes it has to compel U.S. financial institutions to collect and share the information. TNA also asked about the supposed authority for IGAs.

No real answer was ever provided, and no statute was cited, presumably because none exists. Essentially, though, the Treasury pointed to existing tax treaties ratified by the Senate that the U.S. government has signed with other governments as its justification. However, those treaties generally deal with specific, individual requests made by authorities in other jurisdictions — not the wholesale NSA-style vacuuming up and transfer of all private financial data without so much as probable cause, a warrant, or even suspicion of wrongdoing, as envisioned in the IGAs and other FATCA-related schemes. Besides that fact, treaties can't legally override the Constitution anyway.

Questioning Authority

Lawmakers have been trying unsuccessfully to get answers as well. In a 2013 letter to Treasury boss Jack Lew, Rep. Posey requested info about what statute authorized IGAs: "If such authority exists, please provide a citation to the specific relevant statute," Posey said, adding that FATCA should be either repealed or drastically amended while calling for a moratorium on the scheme and the negotiation of IGAs.

According to Posey spokesman George Cecala, the Treasury has not replied to the letter nor offered any hint about where its purported authority to proceed might come from.

As to the wisdom of the dragnet-style approach to gathering and sharing sensitive information on everyone, Cecala explained that the U.S. government already has tools to locate criminals. "If the Treasury Department suspects criminal activity, they can send an enforcement order," he said. "What they are asking for is blanket authority to collect all data, centralize it, and then share it with other governments."

Sen. Rand Paul (R-Ky.), who introduced legislation aimed at reining in the scheme, has also spoken out about the administration's abuses, saying the administration was acting "without the consent and authority of Congress." Blasting "hundreds of billions" in compliance costs to the U.S. economy alone, Paul added: “It is a violation of Americans’ constitutional protections, oversteps the limits of Executive power, disregards the mutual respect of sovereignty among nations and drains money from the federal treasury under the guise of replenishing it, and discourages overseas investment in the United States.”

In early January the Republican National Committee (RNC) responded to outraged constituents, voting overwhelmingly to adopt a resolution calling for FATCA’s repeal.

In its resolution, the RNC said that the scheme “has inadvertently ensnared every United States Citizen living overseas due to its overzealous invasion of privacy and punitive taxation and enforcement.” However, despite noting that the U.S. government is one of only two in the world that taxes citizens no matter where they reside, the GOP measure did not call for an end to citizenship-based taxation. It did, however, call on U.S. lawmakers to allow Americans who were forced to renounce their citizenship due to the draconian 2010 law to regain their citizenship.

The 168-member RNC voted overwhelmingly to pass the anti-FATCA measure on January 24 as part of a package containing other resolutions, despite deeply deceptive media coverage ahead of the vote. Reuters, for example, which sells “FATCA compliance services” but does not disclose that to readers, tried desperately to frame opposition to FATCA as support for “tax dodgers.”

To that end, it quoted taxpayer-funded government advocates expressing outrage: “It is mind-boggling that a major political party would even consider endorsing a resolution to facilitate tax evasion,” claimed Heather Lowe, director of government affairs at a UN- and government-funded outfit known as Global Financial Integrity. “Repealing the law would cripple the U.S. and global efforts to fight offshore tax evasion.”

Thankfully, the whole plot is built on a foundation of sand that could crumble at any moment. DATCA represents the “Achilles heel” of the whole ploy, Jatras said, because if U.S. information sharing is stopped, other countries will likely not offer financial info either. “FATCA and the OECD scheme could end up like the League of Nations: a dead letter because the United States, which got the ball rolling, opted out,” he added.

Even “compliance mongers” are now warning that FATCA is set to become a “train wreck.” However, while critics say repealing the law is an important first step in restoring fundamental rights and helping to avoid potential economic calamity, there is an even broader issue that remains unaddressed thus far: citizenship-based taxation. Whether lawmakers are willing to aid Americans and our ailing economy remains to be seen. Come July 1, though, they may have little choice but to take action.

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