



GOP Votes to End Tax Regime That Is Crushing Americans Abroad

As [outrage and despair](#) continue to grow among millions of middle-class Americans living abroad over the [uniquely draconian U.S. taxation regime](#), which taxes citizens no matter where in the world they live and work, the Republican National Committee took a significant step toward fixing the problem. Last month, as part of a broader effort spearheaded by leaders of the GOP-affiliated Republicans Overseas group, the RNC voted unanimously to support ending the controversial U.S. system of “citizenship-based taxation.” In [the resolution](#), the Republican Party’s decision-making body also cited numerous threats to the U.S. economy, American jobs, and even the dollar’s status as the global reserve currency. GOP leaders say the stance will be included in the party’s 2016 platform.



Aimed partly at providing some relief to embattled Americans abroad, whose lives have been [turned upside down by the expanding federal tax regime in recent years](#), the Republican resolution urges the adoption of residence-based taxation (RBT) instead. Under such a system, taxes would be collected only from people actually living in the United States — not Americans living and already paying taxes abroad. The RNC said such a tax regime would represent “a fair, equitable, and efficient taxation of American Citizens living overseas because it taxes their worldwide income only once in the country where they actually reside and receive government services.”

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Americans of all political persuasions living overseas, who have been [ditching their U.S. citizenship in record numbers in recent years](#) in response to the increasingly draconian U.S. tax regime, celebrated the RNC resolution as a positive step forward. Proponents of the measure said that, if the residence-based system were to be adopted, it would offer a major boost to the U.S. economy and the jobs market. The RNC measure also noted that it would “align U.S. law with the other industrialized countries” and end the “double-taxation” suffered by Americans living abroad — from teachers and missionaries to small-business owners who are placed at a major disadvantage trying to sell U.S. exports in foreign markets.

Indeed, aside from Uncle Sam, virtually every national government in the world uses a residence-based tax system. The only other exception is the ruthless gangster regime ruling the tiny African nation of Eritrea, which, though less successful at collecting, also demands tribute from citizens everywhere on Earth. In 2011, the United Nations Security Council, with support from the Obama administration, blasted the Eritrean dictatorship, saying it “condemns the use of the ‘Diaspora tax’ on Eritrean diaspora



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by the Eritrean Government ... and decides that Eritrea shall cease these practices.” The African dictator, however, demands only a tiny fraction of what Uncle Sam seeks to extract from U.S. citizens abroad.

The RNC also highlighted the almost unimaginably complex U.S. taxation and reporting system as another major problem to be addressed. “The complexity of a U.S. tax return for an American living overseas and the significant additional penalties applicable to Americans living overseas requires these U.S. Citizens to hire expensive tax preparers,” said the resolution, adopted unanimously by the 168-member RNC on August 8. “The cost of this double-taxation along with the costs of preparation and compliance put American job seekers at a competitive disadvantage to other non-American workers, thus costing American jobs.”

On top of that, the higher cost of hiring American workers resulting from citizenship-based taxation causes multinational businesses — even those headquartered in the United States — to hire fewer Americans, the RNC noted. It also leads to those firms purchasing fewer American goods and services, “thus decreasing American exports,” the resolution explained, echoing a frequent criticism of the byzantine U.S. taxation regime. Countless experts and economists have pointed out that freeing Americans from double taxation would [result in a major boom for exports](#) — something that is especially crucial considering the perpetually ballooning and unsustainable U.S. trade deficit.

Ironically, joining the rest of the civilized world by ending taxation of citizens abroad would almost certainly provide huge benefits to the federal government, too. “History reveals that replacing Citizenship-Based Taxation with Residence-Based Taxation will raise net Federal tax revenue because of increased economic growth,” the RNC said, echoing numerous studies and analyses spotlighting the drag imposed on the U.S. economy by the arcane taxation policies. Residence-based taxes would also “significantly reduce IRS administrative expenses,” the resolution explained.

Another one of the myriad benefits of adopting residence-based taxation, sometimes abbreviated as RBT, would be the elimination of “complex requirements and tax forms, such as the Foreign Account Tax Compliance Act (‘FATCA’) and the Report of Foreign Bank and Financial Accounts (‘FBAR’),” the RNC resolution states. As *The New American* reported in April as part of an [in-depth investigation, the FATCA regime](#) — hidden inside a Democrat “jobs bill” and signed by Obama — has made life overseas nearly impossible for countless Americans, now widely regarded as “pariahs” by foreign banks and companies.

Among other focal points of the growing outrage, FATCA seeks to turn every financial institution in the world into an unpaid agent of the IRS — all in a supposed bid to collect less than \$1 billion in additional tax revenue each year (enough to run the federal government for a few hours). If the institutions refuse, gigantic “withholding taxes” or outright exclusion from U.S. markets would be applied, crippling any business. So far, the roll-out of the new taxation regime has been an unmitigated disaster, as even compliance mongers admit. Numerous banks, for example, responded to the scheme by simply refusing to serve anyone who holds U.S. citizenship or has permanent residence.

“The Foreign Account Tax Compliance Act (FATCA), implemented as a result of CBT, has caused banks, both U.S. and foreign, to deny access to banking and other financial services to the 7.6 million Americans overseas, thus denying employment and investment opportunities and forcing them to choose between U.S. citizenship and their livelihood,” the RNC said. Separately, the resolution noted, “the implementation of FATCA to enforce CBT promotes the abandonment of the U.S. Dollar as the global reserve currency and hurts the U.S. economy.”



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Other [more dire consequences for the “Homeland” could be on the horizon](#), too. While the IRS has unilaterally and without statutory authorization delayed enforcement of FATCA to avoid creating a full-blown global nightmare, critics of the scheme say some of the worst effects are yet to come unless the scheme is stopped first. Among the dangers: a potentially devastating exodus of foreign capital, more banking crises, a devaluation of the U.S. dollar, and the withdrawal of foreign banks and investors from the U.S. market to avoid the IRS entirely.

In addition to pushing an end to citizenship-based taxation, the GOP has been fighting the FATCA scheme as part of its efforts to support — and recruit — overseas U.S. citizens. In January, [the RNC passed a resolution calling for repeal of the “punitive” system](#), citing its “overzealous invasion of privacy” and “enormous reporting burdens for American taxpayers living overseas.” The party called on the IRS to “cease inflicting damage on the United States and on the global financial system,” and warned foreign governments about the dangers FATCA represents to their own citizens.

The Obama administration recently responded to the growing exodus of U.S. citizens by throwing up additional roadblocks and drastically increasing the financial cost of renouncing citizenship. The latest RNC resolution, instead, echoes previous GOP demands, seeking to allow Americans to regain their citizenship if they were forced to surrender it just to survive financially overseas. “The Republican National Committee urges Congress to permit restoration of citizenship for those who were compelled to renounce their citizenship because of the crushing burdens of FATCA and FBAR,” the resolution reads, again calling on lawmakers to align U.S. taxation practices with those of every other industrialized nation on the planet.

Democrats and [propagandists in the establishment press](#) initially tried to frame the Republican efforts to stop FATCA and citizenship-based taxation as a scheme to protect “the rich” and “tax evaders.” The half-baked tactic failed spectacularly, however — especially because those suffering the most are poor and middle-class Americans who cannot afford armies of lawyers and accountants. The group Democrats Abroad, stuck in a Catch-22, is now on defense, trying to walk a fine line between not alienating the millions of embattled Americans abroad while also not criticizing their party’s handiwork too vociferously. It recently accused the GOP of pandering for votes, noting that no bill to repeal FATCA has been introduced in the Republican-controlled House. The media has remained almost entirely silent on the latest GOP resolution.

Republicans, though, say the effort to ease the burdens imposed on Americans abroad and to boost the U.S. economy should not be a partisan one. “Republicans Overseas would welcome the DNC and Democrats Abroad to join us by adopting a RBT resolution, incorporating it in its national platform, building political support for a RBT legislation, and introducing a tax reform package to replace FATCA and CBT with RBT in order to end double taxation for 7.6 million overseas Americans,” Republicans Overseas said in a statement. “Doing what is right and just for expats should be bi-partisan.”

While the taxation and FATCA resolutions are primarily addressed to congressional lawmakers with the power to undo the damage, Republicans are pursuing other options as well. Among the tactics: Republicans and Americans living overseas are working to [challenge the constitutionality of FATCA through the courts](#). Outraged U.S. citizens and others in Canada are also pursuing a judicial challenge there. The Obama administration, however, continues to [bully foreign governments into signing unconstitutional pseudo-treaties to advance the scheme](#).

More than a few experts predict that FATCA will eventually be relegated to the ash heap of history. In the meantime, though, foreign governments and international institutions, seizing on FATCA, are



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working to create a [truly global version of the scheme, which critics say could be more nightmarish than the original](#). Americans concerned about jobs, privacy, the economy, overseas U.S. citizens, the trade deficit, national sovereignty, the Constitution, the separation of powers, the U.S. dollar, and economic competitiveness should get involved.

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