
Possible options to mitigate the unintended effects of FATCA on the overseas population

Submitted to the Subcommittee on Government Operations following the April 26th hearing on “Reviewing the Unintended Consequences of the Foreign Account Tax Compliance Act (FATCA)”

Delegates from the Association of Americans Resident Overseas (AARO) and the Federation of American Women’s Clubs Overseas (FAWCO) attended the hearing on the “Unintended Consequences of the Foreign Account Tax Compliance Act (FACTA)” held by the Committee on Oversight and Government Reform – Subcommittee on Government Operations - on Wednesday, April 26, 2017.

Subcommittee Chair Congressman Mark Meadows opened the meeting and, after opening remarks, asked for testimony from five witnesses.

Our two organizations would like to thank Chairman Meadows and his colleagues for organizing such an informative and productive hearing. We were pleased to see that the Subcommittee was exploring FATCA’s unintended consequences seriously and appeared to have a good grasp of the impact this law has had on American citizens residing abroad.

We felt that Congressman Meadows’ closing remarks, asking for at least three recommendations from each witness on possible alternatives to FATCA as it now stands, represented a positive step in not only recognizing the gravity of the situation but showing a willingness to learn from the experience of those personally involved.

In the spirit of that request, we would like to propose some options which could be considered in any effort to mitigate the damaging unintended repercussions of this law.

- Exempt from FATCA reporting all financial accounts held in the country in which the filer is a bona fide resident (as recommended by the National Taxpayer Advocate and the recently introduced H.R. 2136).
- Adopt, as an alternative to FATCA, the Common Reporting Standard (CRS) developed by the Organization for Economic Co-operation and Development (OECD) and now adopted in 100 jurisdictions.
- Eliminate duplicative reporting as recommended by the National Taxpayer Advocate by developing a single reporting form which satisfies the needs of all the relevant compliance organizations.
- Rethink the penalties related to FATCA reporting requirements, including both the 30% withholding imposed on Foreign Financial Institutions and the punitive fees imposed on individuals.
- Meet financial reporting obligations on Foreign Financial Institutions with the submission of 1099s that comply with US tax reporting standards.

We were pleased at the end of the hearing to see that the Chairman and his colleagues appeared willing to seek bipartisan solutions to this situation which has caused such distress to great numbers of American citizens living and working around the globe. It is clear that they have listened to the multiple stories of emotional and financial hardships and that they understand that bills drafted by Congress sometimes have significant consequences on various segments of the population of 8.7 million overseas Americans which were never intended by the original drafters.

Our organizations would be more than happy to work with the Committee in all efforts to modify current FATCA legislation and, while respecting the original intent of combating tax avoidance and tax fraud, to mitigate the deleterious effects of FATCA legislation on law-abiding citizens abroad.

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Our organizations

AARO: Association of Americans Resident Overseas, founded in 1973 and now in 46 countries, is a non-partisan not-for-profit public service organization representing United States citizens living abroad. AARO's mission is to seek fair and equal treatment from the U.S. government for Americans living and working abroad; to inform AARO members of issues affecting them; and to build awareness in the United States of the role played by Americans overseas. www.aaro.org

FAWCO: Federation of American Women's Clubs Overseas, a non-partisan not-for-profit network founded in 1931, currently comprises 64 independent volunteer American and international organizations in 34 countries worldwide with a membership of around 12,000. The oldest and largest organization representing private-sector Americans abroad, it is a 501(c)(3) corporation established in the State of New York, and an approved Non-Governmental Organization with special consultative status with the Economic and Social Council of the United Nations. It has been particularly active in the fields of citizenship rights and voting from overseas. www.fawco.org