



Established 1973

4 rue de Chevreuse  
75006 Paris, France  
Tel: +33 (0)1 4720 2415  
Website: [www.aaro.org](http://www.aaro.org)  
Email: [contact@aaro.org](mailto:contact@aaro.org)

16 January, 2020

Lia Colbert,  
Chief of Staff  
Taxpayer First Act Office ([TFAO@irs.gov](mailto:TFAO@irs.gov))  
Internal Revenue Service  
1111 Constitution Ave NW, Washington, DC 20224

Dear Ms. Colbert,

I am writing to you at the request of the Board of Directors of the Association of Americans Resident Overseas (AARO) ([aaro@aaro.org](mailto:aaro@aaro.org)).

We understand that the [Taxpayer First Act Office \(TFAO\)](#) is seeking to understand from a variety of sources: (a) some of the challenges or barriers taxpayers face when trying to get services from the IRS, and what are the solutions to these challenges; (b) how the IRS's organizational structure can be modernized to better serve taxpayers; and (c) how the IRS can improve its communications with taxpayers.

AARO, <https://www.aaro.org/> is an international, non-partisan association whose mission is to help Americans overseas with various issues that significantly affect their lives, including, notably, many related to taxation. We enjoy a paid membership of some 1000 members in more than 40 countries but we believe we reflect the concerns of a much wider constituency of overseas taxpayers.

Overseas taxpayers face many challenges and barriers that domestic taxpayers typically do not face. The sources of these challenges are various: laws, norms, standards and customs in host countries; the US tax code and regulatory policies; and federal agency (IRS and others) management policies and priorities. While IRS has limited or no influence on some of these it has nevertheless considerable scope for taking account of these challenges when designing its policies and carrying out its responsibilities. Three challenges stand out:

*Citizen-based taxation.* US persons who live overseas are subject not only to the tax regime of the United States but they must also comply with the tax regime of the country where they live. In many instances the two regimes are difficult to reconcile. As a result many Americans living overseas are not able to manage their financial affairs normally. For example, as the GAO has highlighted,<sup>1</sup> many savings vehicles and retirement plans that are favored under the laws of the American's country of residence are penalized under US tax law. Improvements here will require changes to the tax code.

---

<sup>1</sup> "Workplace Retirement Accounts" [GAO -18-19], January 2018, see especially pp.12-13.

*Language.* While many US persons living outside the United States are fluent in English this is often not the case. Many people considered to be US persons have lived most or all their lives outside the US and speak no English at all. Others have learned some basic conversational English but cannot cope with complex IRS forms and instructions written in what, for them, is a foreign language. Faced with such challenges, non-English speakers struggle enormously to complete a US tax return without expensive professional assistance costing several hundreds and even several thousands of dollars per year.

Use of Social Security Numbers for Tax Identification. Most US persons are required to obtain and use Social Security Numbers (SSNs) as Tax Identification Numbers (TINs) and to report them to their banks. For Americans living outside the United States this creates two sets of problems. First, security concerns often make holders of SSNs reluctant to share these numbers with large numbers of people in foreign banks. Second, US persons outside the United States who do not have SSNs often find it difficult to impossible to obtain them: the process can be complex. And the issuing agency, the Social Security Administration (SSA), faces its own political and legal constraints as it carries out its own missions. The result has been perceived as a large scale compliance failure, as non-US banks have often been unable to provide valid SSNs when reporting to IRS as required under FATCA. The banks can do little to ensure compliance beyond rejecting their clients' accounts, leaving large numbers of overseas Americans (industry estimates in France are c. 40,000) facing potential loss of access to the financial system.

In this context that we offer these suggestions to the TFAO:

*Improving services to taxpayers*

- Create a unit within the IRS specifically focused upon individual (as opposed to business) overseas taxpayers and able to fully support them; the staff assigned to this unit must have adequate training in the issues faced by overseas taxpayers so that they can fully respond to queries;
- Reopen the IRS attaché offices that, until 2015, had been housed in US diplomatic facilities. This enabled overseas taxpayers to interact directly and in-person with IRS representatives. Full time equivalent costs for IRS taxpayer services are budgeted at less than \$100,000 per year. Providing two full time staff at the 20 largest embassies and consulates would involve only a very small reallocation within \$12 billion Total Budgetary Resources (Continuing Resolution FY 2019).

### *Removing barriers*

- Provide alternatives to SSA as issuer of TINs to Americans overseas. The obvious alternative issuer is IRS itself since it already issues Individual Taxpayer Identification Number (ITIN) to those not eligible for an SSN.
- Failing that, work with SSA to simplify the process for obtaining an SSN from overseas. The process needs to be more transparent and should not require travel or costly professional support. It should be possible to produce acceptable applications whose supporting documentation is issued outside the United States.
- Provide IRS forms, publications and notices in many more languages. Many US persons trying to be compliant with US income taxation and reporting rules neither live in the United States nor speak English. Only limited explanatory material in non-English languages is available from IRS and it is difficult to find any standard required forms in languages other than English. In contrast, SSA provides a Spanish language web site and a range of key documents in a dozen additional languages.
- Simplify IRS forms and instructions so that overseas taxpayers—English speaking or not—can complete their US tax returns without the need for expensive professional assistance. This will probably require changes to the tax code.
- When the taxpayer's tax liability is zero—which should be the case for many overseas taxpayers whose earned income is below the Form 2555 threshold and whose unearned income is less than the standard deduction—accept a one-page certification that the tax is zero and do not require the submission of a complex and costly tax return;
- Renew the practice of allowing overseas Americans to defer making the first estimated tax payment, due 15 April, to the date of the second estimated tax payment, due 15 June, without penalty, if the payment equals the amount due for both payments.

### *Improving communications*

- Improve the IRS's use of postal services so that notices and other communications that the IRS sends to overseas taxpayers arrive in a timely manner. Too often notices and other communications IRS sends to overseas taxpayers by post take a very long time to arrive, in many cases well after the deadline to take action has passed.

- Where the notice involves significant sums or enforcement action – notably relating to passport revocation, which is an especially serious issue for overseas Americans – it should be sent by registered letter requiring an acknowledgement of receipt.
- Provide overseas taxpayers with access to the same kinds and same level of online services as those available to domestic taxpayers. In particular, online accounts that allow taxpayers to check the status of their filings and other dealings with the IRS should be permitted.
- Staff the offices responding to telephone inquiries from taxpayers adequately to ensure that phone calls are both answered and receive responses. Telephone communications between overseas taxpayers and the IRS should be available on a toll-free basis.

Finally, over the course of many years the National Taxpayer Advocate has issued a number of recommendations and other documents pertaining to the situation of overseas taxpayers. See, for example,

[https://taxpayeradvocate.irs.gov/Media/Default/Documents/2015ARC/ARC15\\_Volume1\\_MSP\\_07\\_International-TP-Service.pdf](https://taxpayeradvocate.irs.gov/Media/Default/Documents/2015ARC/ARC15_Volume1_MSP_07_International-TP-Service.pdf). The TFAO should consider those recommendations and other documents as essential to its work.

We would be happy to provide additional information in relation to anything discussed above, and/or more generally about the situation of overseas taxpayers. We thank you for the opportunity to share with you this information and our suggestions.

Sincerely yours,



Neil Kearney  
President  
Association of Americans Resident Overseas (AARO)  
president@aaro.org

cc. TFAO Executive Team: Lisa Beard, Rob Ragano, Jim Clifford; AARO Board of Directors.