



**AAWE**

Association  
of American Women  
in Europe

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## **US TAXATION AND FATCA**

### **Report on AAWE Tax & FATCA Survey**

[www.aaweparis.org](http://www.aaweparis.org)



The Association of American Women in Europe (AAWE) was founded in 1961 as the Association of American Wives of Europeans. The large majority of the non-partisan not-for-profit's approximately 500 members are women who hold US citizenship and who reside in France on a long-term basis. AAWE is a member of the Federation of American Women's Clubs Overseas (FAWCO).

In autumn 2018 AAWE conducted a survey in relation to US non-resident taxation and banking policies. The survey was open to all current and former US citizens and green card holders living outside the United States. A total of 602 persons living in 47 different countries participated in the survey.

This brochure contains a summary of the survey report. The full report can be accessed at: [www.aaweparis.org/2018taxsurvey](http://www.aaweparis.org/2018taxsurvey). Unless otherwise noted, references in this brochure are to the full report.

The survey was prepared by Laura Snyder, who would like to thank :

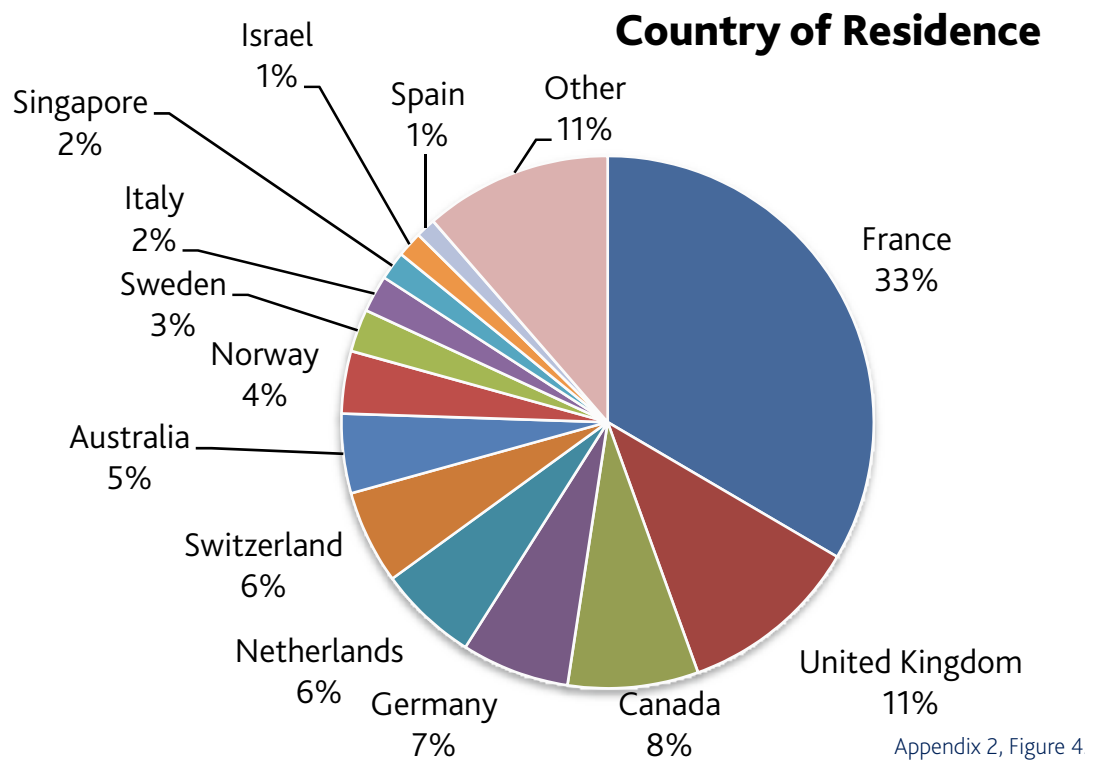
- Josh O'Donovan, Karen Alpert, Anjali Morard, and Kathleen de Carbuccia - for their invaluable assistance,
- The AAWE Board - for its unwavering support, and
- Each participant in the survey - for making the report and this brochure possible.

Questions and comments should be directed to [taxsurvey@aaweparis.org](mailto:taxsurvey@aaweparis.org).

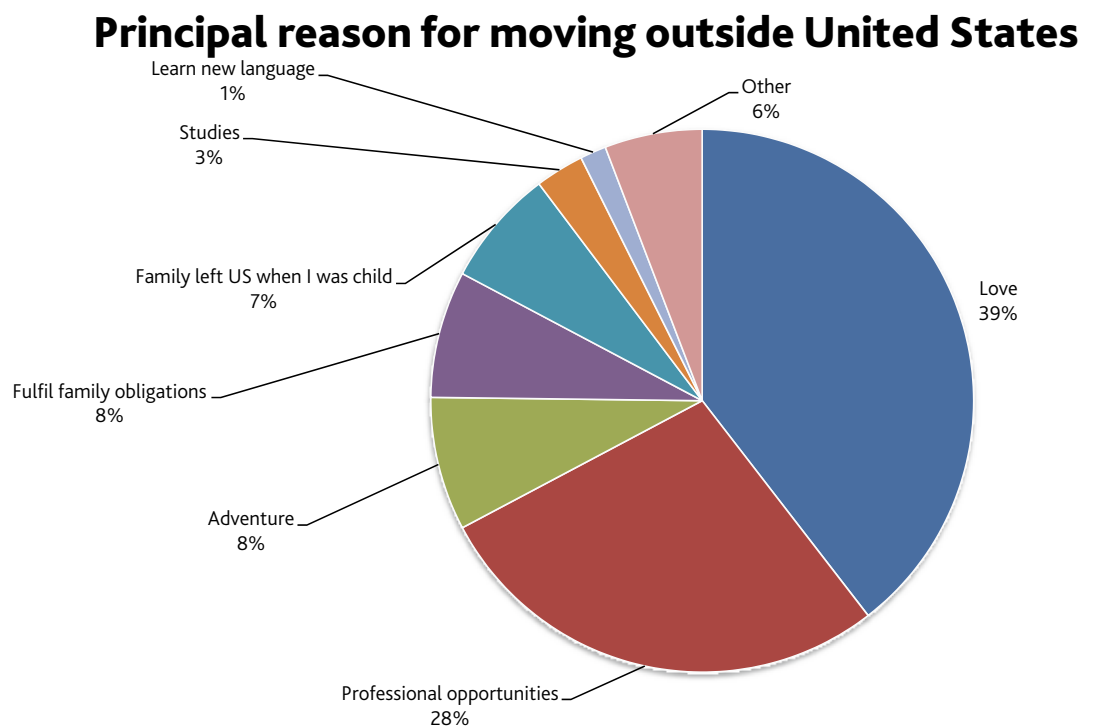
# ASSOCIATION OF AMERICAN WOMEN IN EUROPE

# Survey Results

The 602 survey participants live in 47 different countries in the world, with the bulk of them living in France, the United Kingdom and Canada:



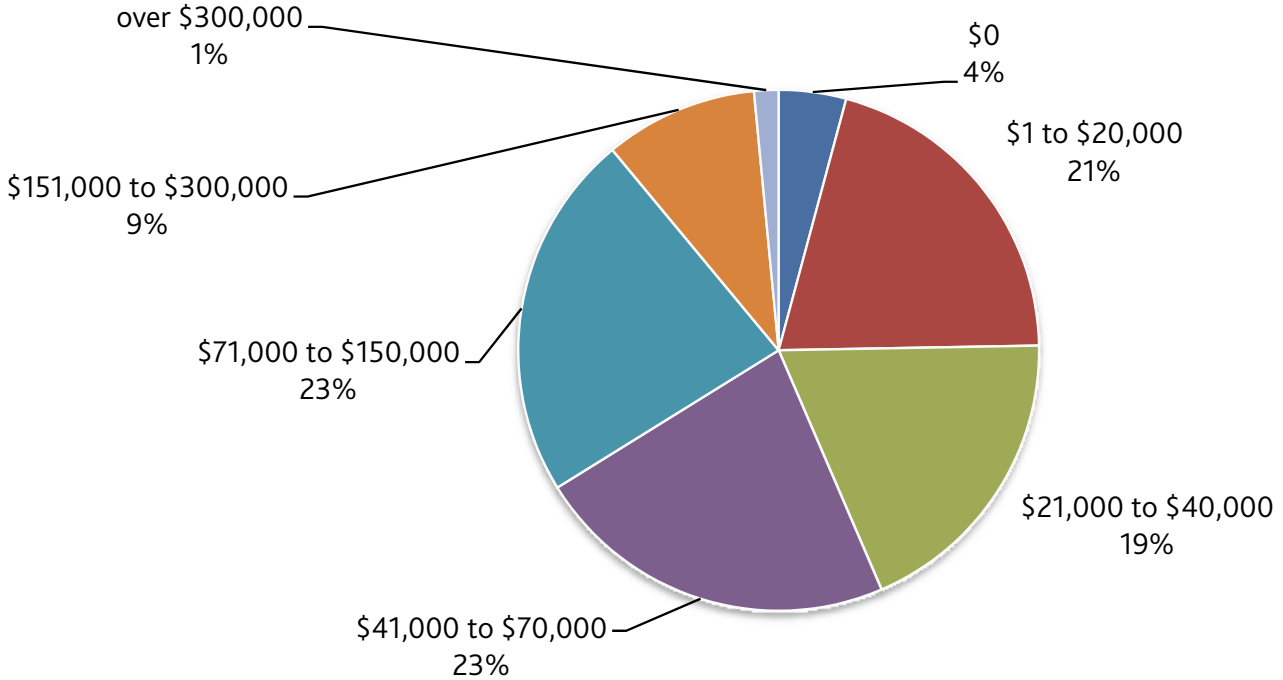
The large majority of the participants (67%) left the United States to live overseas "for love" (in order to join a romantic partner) or for professional opportunities:



Appendix 2, Figure 8

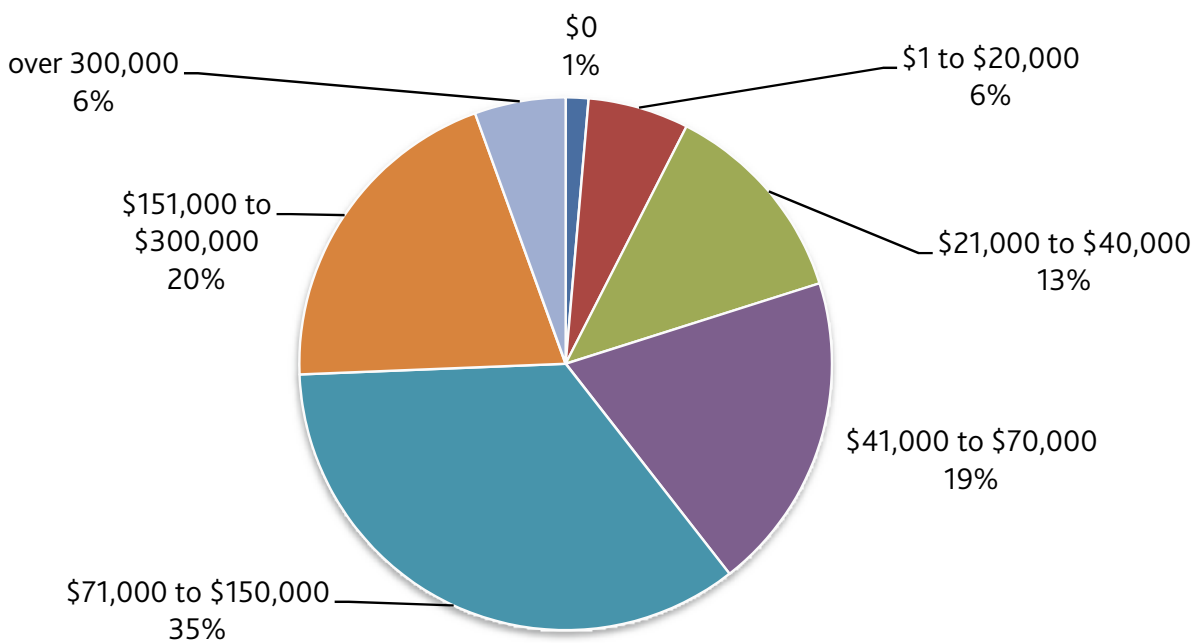
The large majority of the survey participants are not wealthy: 67% report individual annual income of \$70,000 or less, with 44% reporting individual income of \$40,000 or less.

### Individual Income



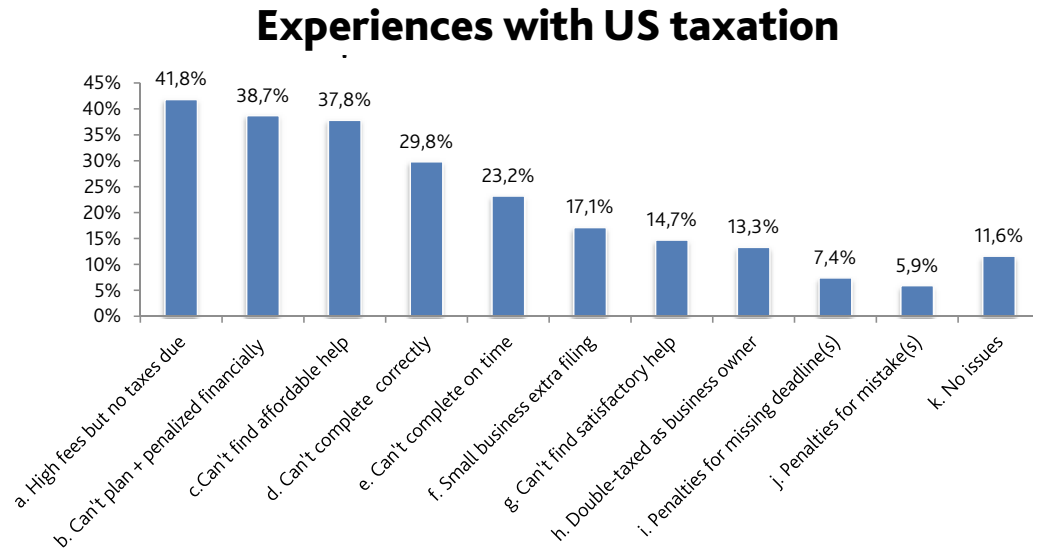
Appendix 2, Figure 10

### Household income



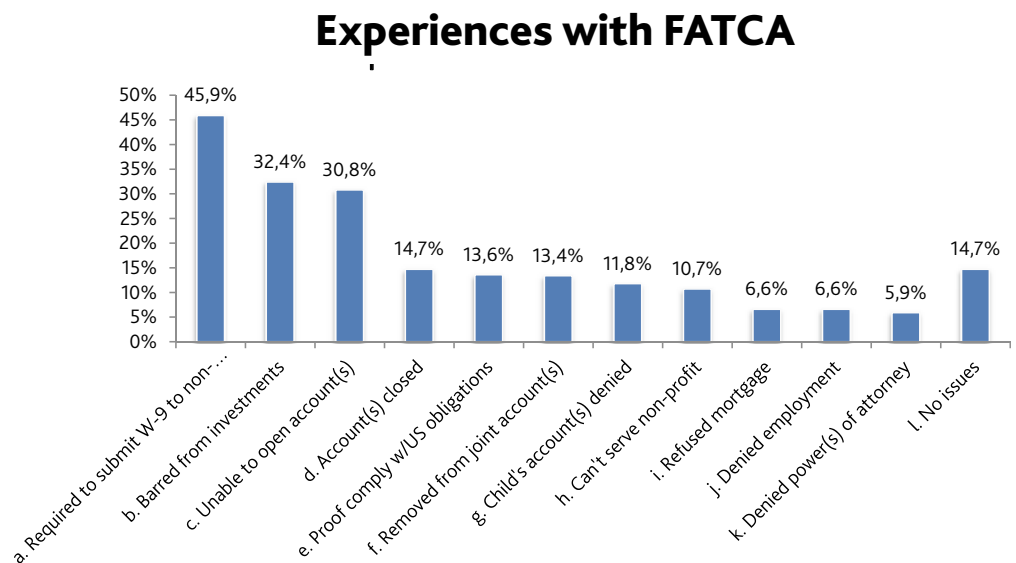
Appendix 2, Figure 11

Just 11.6% of the participants report not having any problems with respect to US non-resident taxation. In contrast, 41.8% report that they pay significant fees to a professional tax preparer in spite of owing no US taxes, and 38.7% report that they have trouble planning their finances in a manner that makes sense under two different tax systems and thus are penalized financially:



Appendix 2, Figure 13

Just 14.7% of the participants report not having any problems as a result of FATCA. In contrast, 32.4% report that they have been barred from investments, 30.8% report that they have been unable to open one or more bank accounts, 14.7% report the closure of one or more existing accounts, and 13.4% report that they have been removed as a joint holder from one or more accounts.

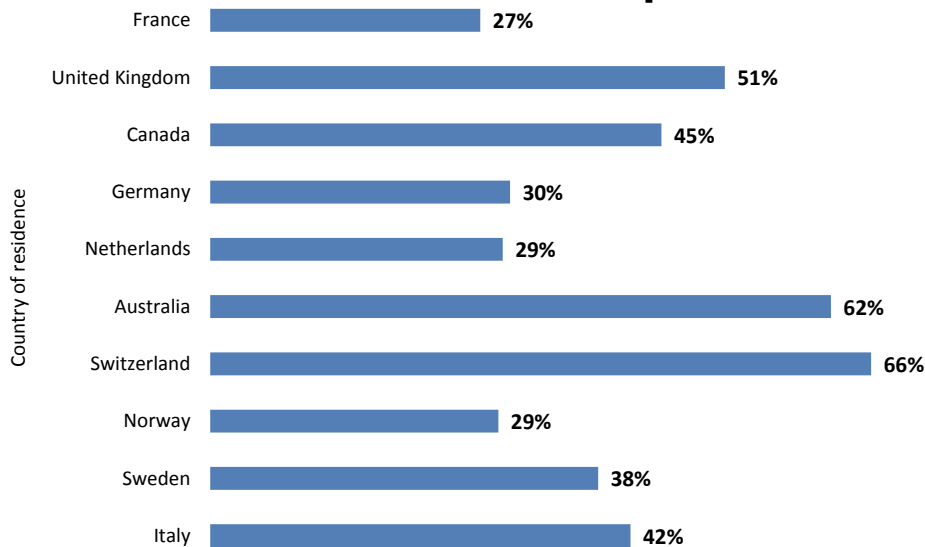


Appendix 2, Figure 25

No one type of person is spared, but certain types of persons are affected differently or more severely than others.

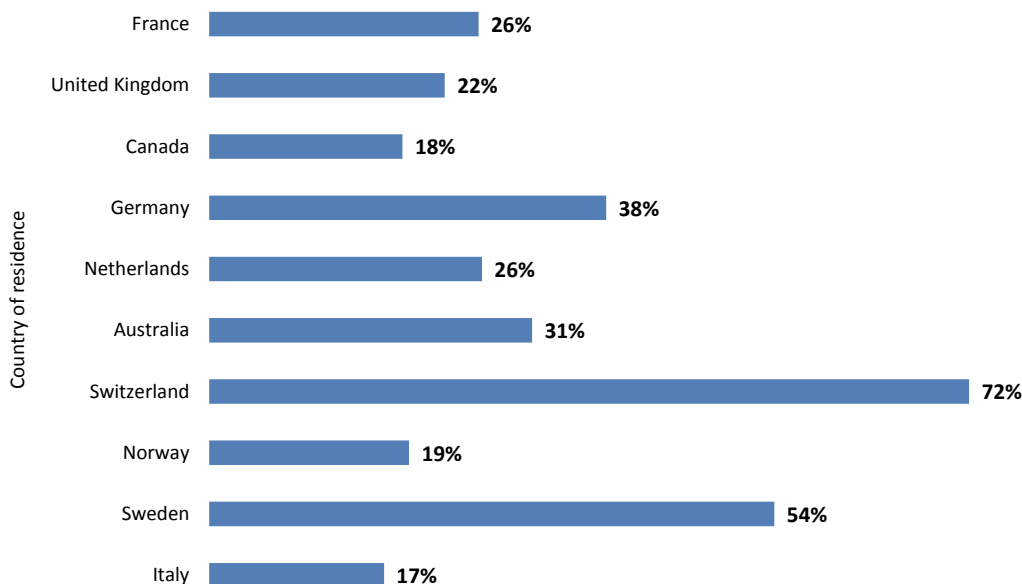
The residents of Australia and especially Switzerland experience the most hardships at considerably higher rates than the residents of most other countries. Here are two examples:

## **I have trouble planning my finances in a way that makes sense both as regards the tax policies where I live as well as those of the United States, as a result I am penalized financially**



Appendix 2, Figure 15

## **I have not been able to open one or more accounts because I am a US citizen or green card holder**



Appendix 2, Figure 28

**I have trouble planning my finances in a way that makes sense both as regards the tax policies where I live as well as those of the United States, as a result I am penalized financially**



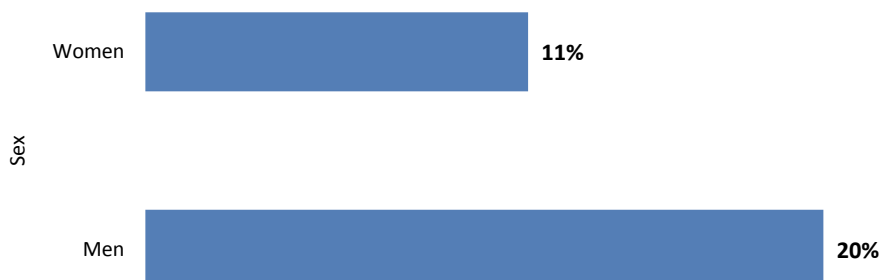
Appendix 2, Figure 15

**I have been barred from making certain investments because I am a US citizen or green card holder**



Appendix 2, Figure 27

**As an entrepreneur or small business owner, the Repatriation Tax and GILTI result in double taxation and create financial hardship for me**

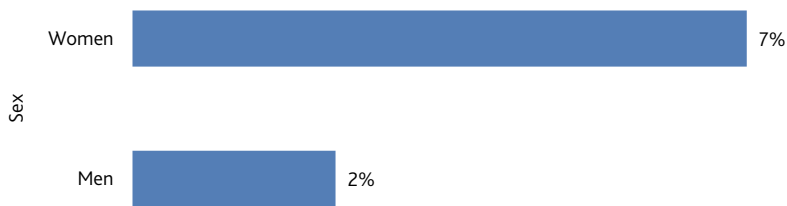


Appendix 2, Figure 21



But certain other hardships women suffer at higher rates than men:

### **I have been assessed one or more penalties by the IRS because I submitted incorrect tax return(s)**



Appendix 2, Figure 23

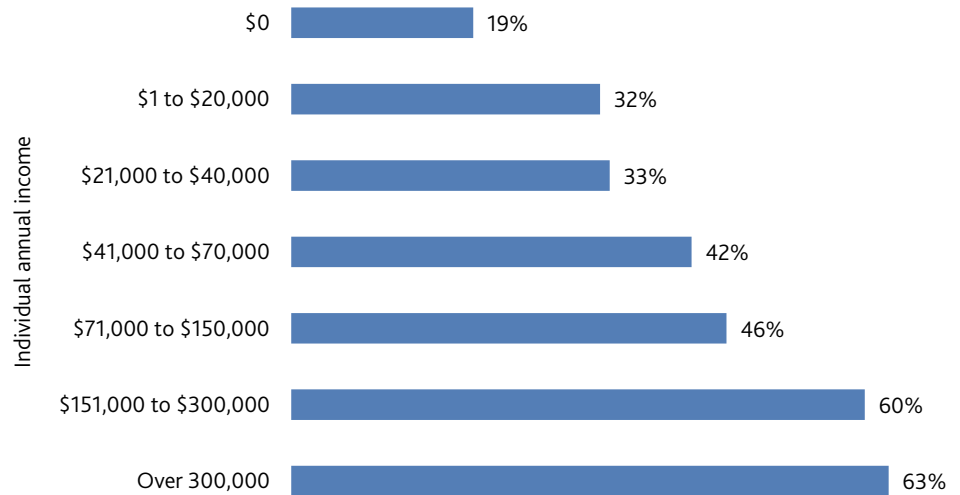
### **I have been removed from joint account(s) with my non-US citizen spouse because I am a US citizen or green card holder**



Appendix 2, Figure 31

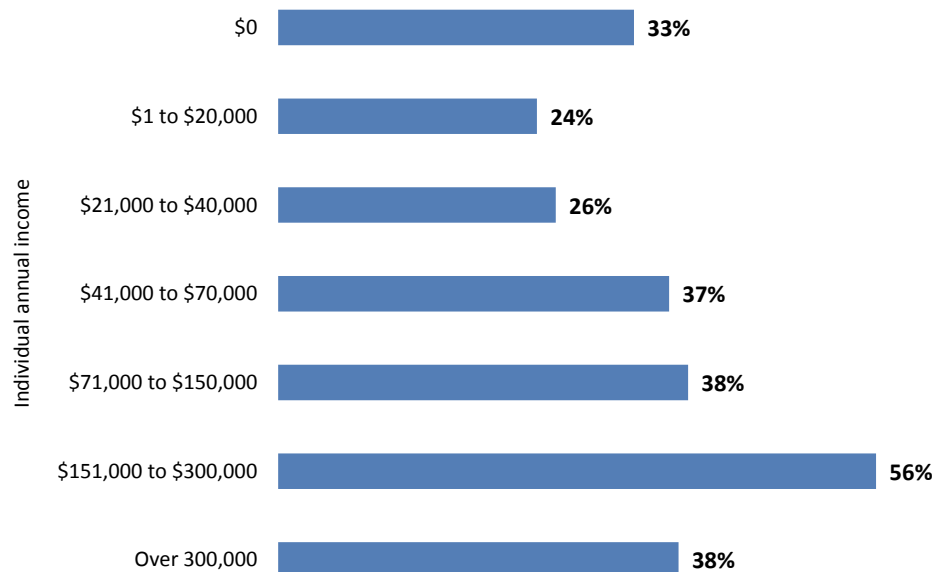
Given the underlying issues pertain to income and investments it should not come as a surprise that those with higher incomes and more money to invest suffer certain hardships at greater rates.

## **I have trouble planning my finances in a way that makes sense both as regards the tax policies where I live as well as those of the United States, as a result I am penalized financially**



Appendix 2, Figure 15

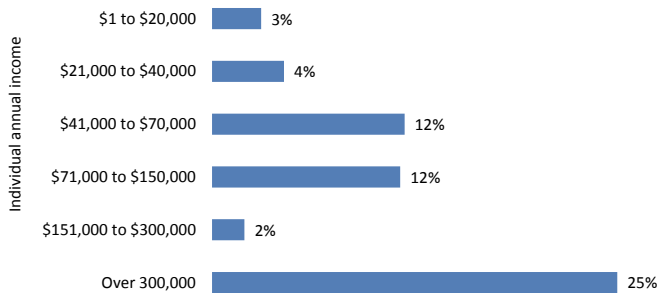
## **I have been barred from making certain investments because I am a US citizen or green card holder**



Appendix 2, Figure 27.

In addition, those with higher levels of income experience certain hardships that those with lower levels do not experience at all, or experience at very low rates. Problems with respect to employment is a notable example:

## I have not been able to accept or remain in position(s) of employment because I am a US citizen or green card holder

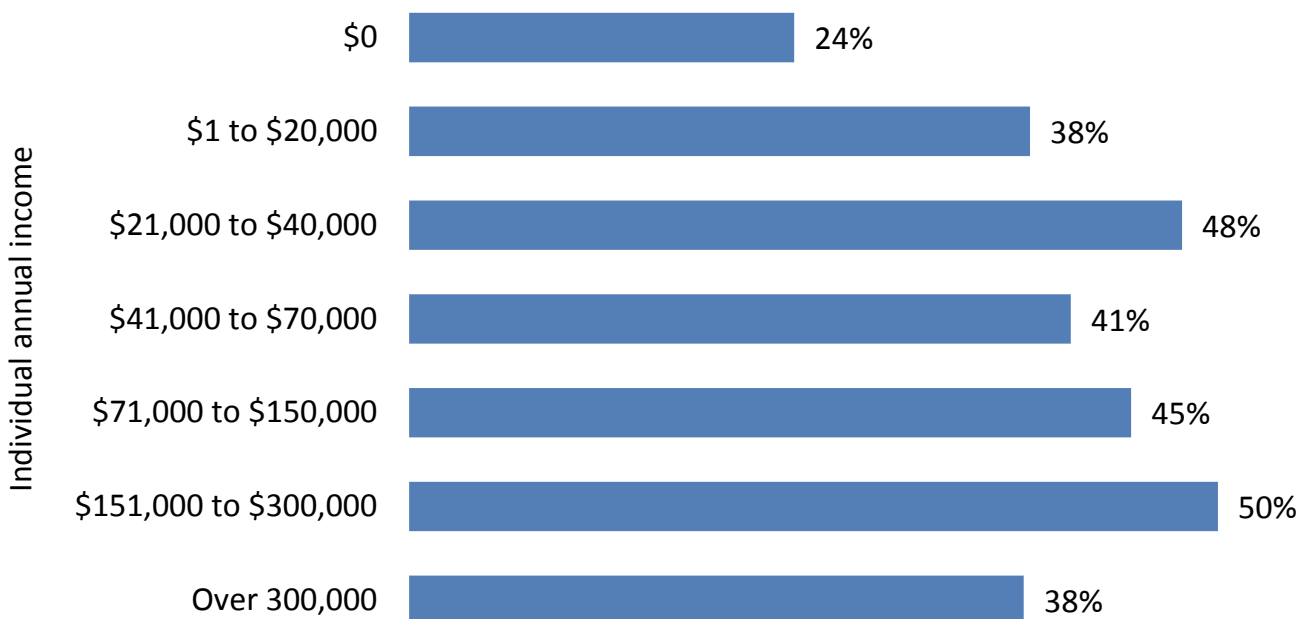


Appendix 2, Figure 35

This large difference with respect to employment is likely because employment issues arise in relation to signature authority for the employer’s accounts and to share ownership: these issues typically come up in connection with high/executive-level—and so often highly paid—positions.

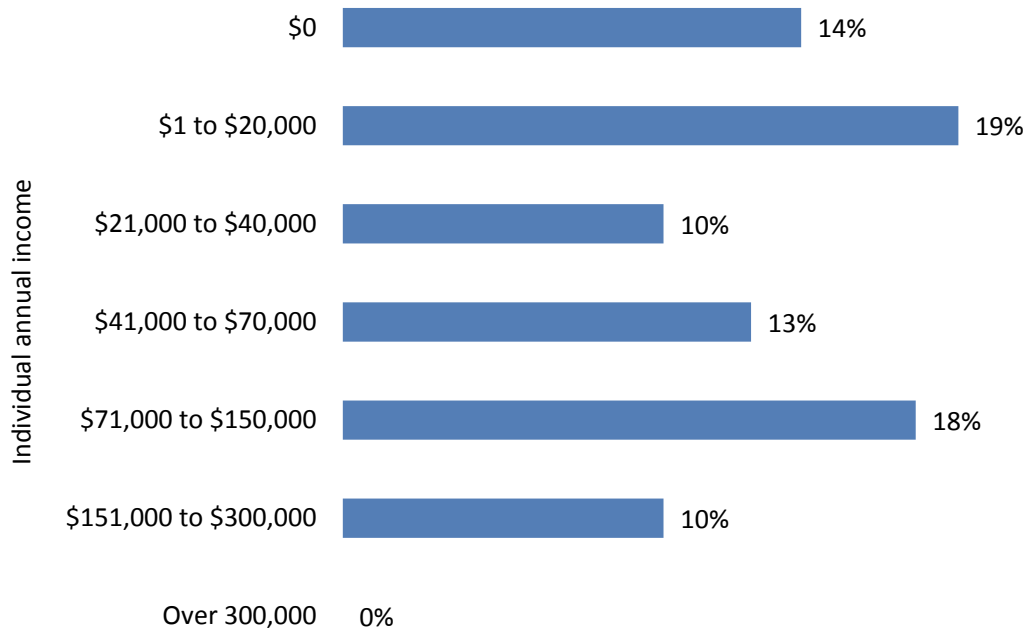
This does not mean, however, that those with lower incomes and/or less money to invest do not suffer certain hardships at high if not higher rates. Here are three examples:

## I pay significant fees to a professional tax preparer even though I end up owing nothing in US taxes



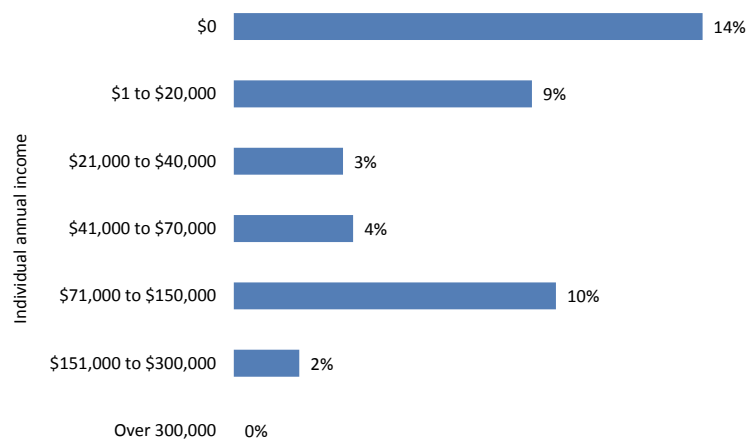
Appendix 2, Figure 14

## I have been removed from joint account(s) with my non-US citizen spouse because I am a US citizen or green card holder



Appendix 2, Figure 31

## I have been assessed one or more penalties by the IRS because I submitted incorrect tax return(s)

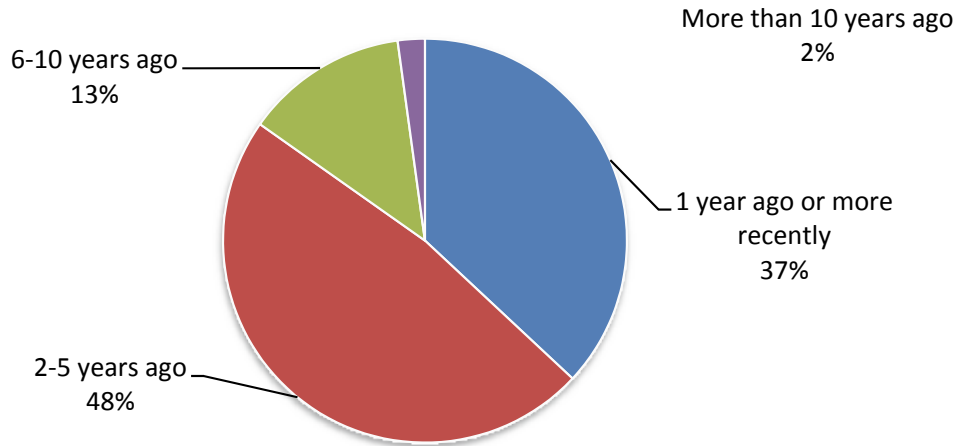


Appendix 2, Figure 23

# Renunciation of US Citizenship

A total of 48 participants reported that they have renounced their US citizenship. The overwhelming majority (85%) of those who renounced did so in the past five years. This corresponds to the implementation period of FATCA:

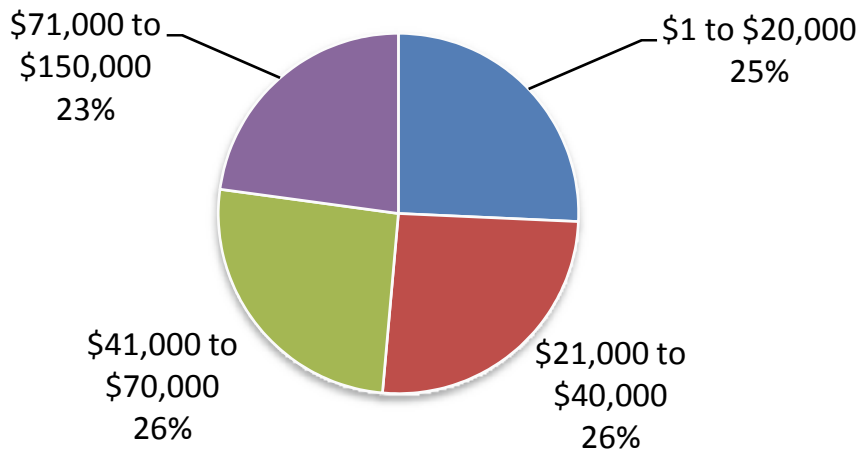
## Time of renunciation



Appendix 2, Figure 40.

Most of those who renounced have modest incomes: 51% report individual annual income under \$40,000. None reported individual annual income over \$150,000.

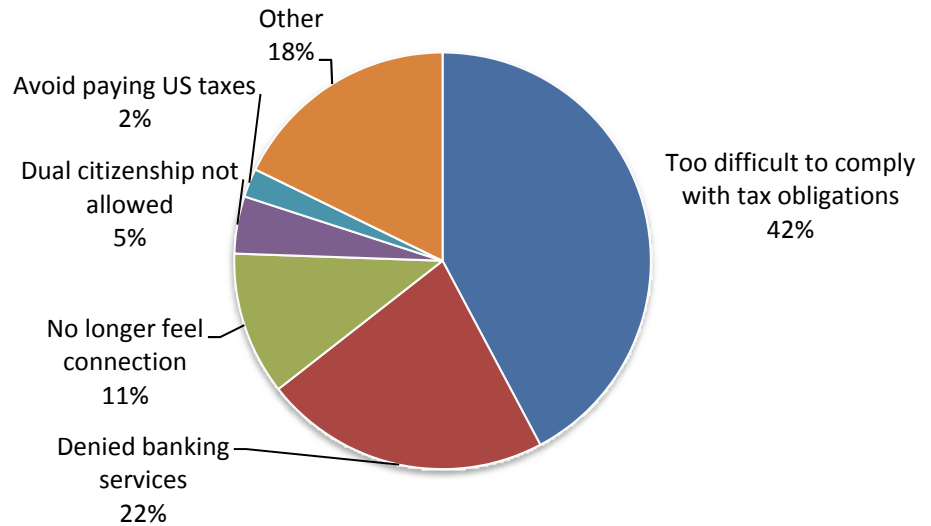
## Individual annual income of participants who renounced US citizenship



Appendix 2, Figure 41

Most (64%) of the participants who renounced did so either because of difficulties to remain compliant with their US tax obligations or because of denial of access to banking and other financial services. Just one person renounced in order to avoid paying US taxes.

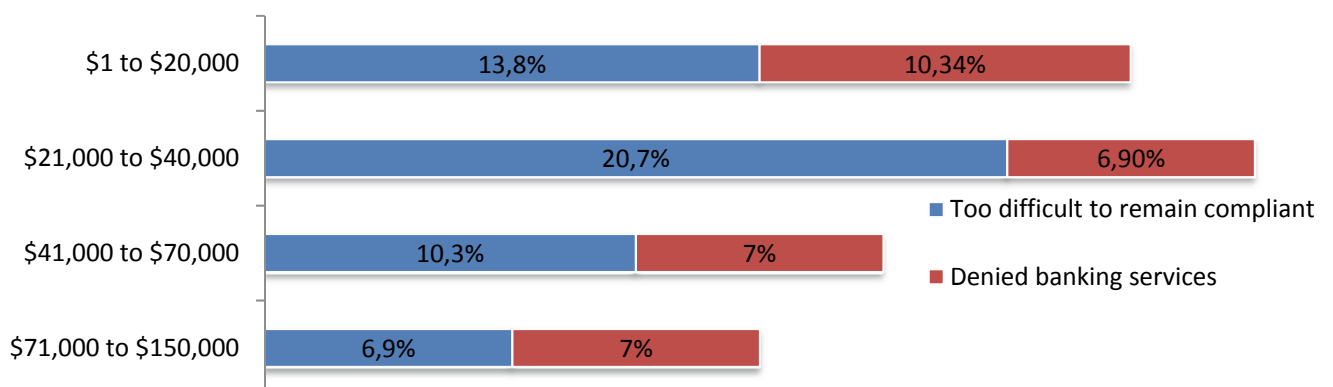
### Principal reason for renouncing US citizenship



Appendix 2, Figure 43

Of the participants who renounced because of US tax compliance or banking difficulties, over half (51.4%) report individual income of less than \$40,000 and 69% report individual income of less than \$70,000. This directly refutes the common prejudice that those who renounce US citizenship are nothing but wealthy persons seeking to avoid paying US taxes:

### Individual annual income of the participants who renounced US citizenship because of difficulty to remain compliant or denial of banking services



Appendix 2, Figure 44

# “I feel threatened by my very identity.”

The participants submitted a number of comments more specifically describing the hardships that they are facing and their most preoccupying fears and concerns (Appendix 3). A common emotional theme runs through the comments in their frequent usage of words like “afraid,” “horrified,” “nightmare,” “danger,” “betrayed,” “vulnerable,” “anxiety,” and “desperate.” (Analysis Part IIIA).

Here is a sampling of participant comments:

“I am cut off from my own company's bank accounts and accounts with my husband thanks to tax, FATCA and FBAR. My name is also not on property. How do I protect myself?” (Appendix 3, Comment 1).

“I have regular discussions with my kids about what it will mean, when they reach adulthood, to be US citizens living outside the US, and about the hardships they will face.” (Appendix 3, Comment 3).

“I am not allowed to take advantage of ANY savings/investment opportunities that are offered to every Canadian: TFSA, RESP (for children or grandchildren), or to invest in mutual funds or ANY investments in the market. I am not allowed to take ANY volunteer positions (Girl Guides, Community groups, cultural groups) if it means that I have signing authority for any aspect of that group. I live under the threat of making a mistake on an IRS form and being fined for a “form crime” at an amount financially beyond my means.” (Appendix 3, Comment 6).

“I have found FATCA has prohibited me from investing my savings and assuring my financial independence and retirement savings. [...] Bringing my FACTA and income tax reporting up to date has cost me over €2000 for financial services although I don't own anything. Americans (in particular American wives who are raising families and may not be working full-time) are put in a precarious and disadvantaged situation when it comes to financial independence.” (Appendix 3, Comment 8).

“Living as a US citizen abroad has proven to be a challenging and frustrating endeavor. I feel as if my citizenship puts me at a significant disadvantage compared to my peers. [...] I am appalled that my country of birth treats me like this.” (Appendix 3, Comment 11).

"My inability to [...] assure my family's finances places significant strain on my marriage." (Appendix 3, Comment 25).

"When I first went abroad, I was surprised at how intensely patriotic I felt toward the USA. But over the past ten years, these feelings have reversed. I am angry, resentful, and ashamed to be an American. The USA has lost a formerly strident unofficial ambassador, at no gain to the US treasury." (Appendix 3, Comment 64).

"It's a nightmare to have to file US tax returns because it is close to impossible to find advice or resources abroad, and someone familiar with US and resident-country laws and tax treaties. A real nightmare." (Appendix 3, Comment 67).

"I am an honorably retired U.S. military person and I am put into the same category with the tax frauds and cheats." (Appendix 3, Comment 110).

"I was running two NPO's in Switzerland, [one for disabled children and one sporting-related]. Both of these would have become a tax liability in the USA with me being Treasurer, President. So I had to give it up. I founded both Organizations and it hurt me to stop my voluntary work because I am a US citizen. I was also asked to serve on the board of various companies but when I told them about my US citizenship they did not want me." (Appendix 3, Comment 129).

"I am faced with either destroying my livelihood or becoming a tax violator." (Appendix 3, Comment 159).

"I've had a downturn in my business in the last year that I'm trying to recover from, and right now I simply cannot afford to hire an international tax attorney, nor do I know who I could trust to successfully navigate the inevitable traps and trip wires in this legislation. The risks associated with expat small business ownership seem to have grown exponentially. It seems to me that nobody knows how we will be treated yet under these new laws. The consultants of course want to paper this uncertainty over and assure potential clients that they know how to handle these taxes. Otherwise they will lose business. It's become a potentially very dangerous situation for people like me." (Appendix 3, Comment 160).

"I will never accept to file one single tax document for the US, I m a French citizen I left the US at the age of 4, 52 years ago." (Appendix 3, Comment 171).

"Never really lived in the USA, never worked there and preparing my taxes is costing me a load of money and a big headache. I am not able to invest in anything abroad, buying some small property or apartment is simply not possible. I cannot not share the same bank account with my girlfriend, because it would have to be reported to a country - who has no rights to collect data from her. Simply, life has changed when I found about FATCA and I am thinking about it everyday. The worst part about it, is that I do not understand the bureaucratic english, wich leaves me helpless back and I have to hope the there are no mistakes in the file." (Appendix 3, Comment 175).



"Being subject to two tax systems simultaneously causes me a great deal of anxiety which also has a very negative effect on my husband. I cannot afford the compliance costs, and need to save for my retirement here in the UK where I live and work. I want to renounce in order to safeguard our future (and my husband supports this decision) but the renunciation process is expensive and humiliating, and I have ageing parents in the USA who I need to see and may one day need to care for. I feel that my family and I will be harmed no matter what option I choose. This has caused me innumerable sleepless nights over the past two and a half years." (Appendix 3, Comment 205).

"To say that I am angry at the US for forcing me to renounce understates matters." (Appendix 3, Comment 225).

"Renouncing was absolutely devastating for me. [...] I was holding back tears throughout the process and wasn't going to say much about why we were renouncing, but I was so emotional I just let loose and explained how citizen based taxation is ruining our lives, how unfair it is and how I can't take the stress and anxiety it gives me anymore. [...] It felt totally surreal to be there cutting ties to my home country, there is a profound sadness in losing that connection and a feeling of newfound freedom at the same time." (Appendix 3, Comment 234).

"The US extraterritorial tax code and FATCA made me a second class US citizen, a second class British citizen and a second class human being." (Appendix 3, Comment 236).

Of all the comments, perhaps this one best sums up the situation of US citizens living overseas:

**"I feel threatened by my very identity."**  
(Appendix 3 Comment 9).



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