



## ASIA-PACIFIC COUNCIL OF AMERICAN CHAMBERS OF COMMERCE

September 4, 2009

Mr. Atticus Weller  
Deputy Director, South and Southeast Asia  
U.S. Department of the Treasury  
1500 Pennsylvania Ave, NW  
Washington, DC 20220

Dear Mr. Weller:

As you consider the issues effecting America's bilateral economic relations with our major trading partners in the region, the Asia-Pacific Council of American Chambers of Commerce (APCAC) would like to take this opportunity to raise a matter that has not received the attention it deserves, but is harming America's competitiveness abroad and will undoubtedly have a detrimental, long-term impact on our presence in the region.

As you know, many factors contribute to America's export strength. However, one fundamental aspect is having articulate and able representatives living and working abroad to sell American goods and services in foreign markets. Experience demonstrates that Americans are the best salespeople for American products. With this in mind, one would assume that U.S. tax policy would support Americans working overseas; unfortunately, the opposite is true.

Unlike most other industrialized countries, the U.S. imposes a tax on the income of its citizens regardless of where that income is earned. Americans working overseas are not only subject to the taxes levied by the country in which they reside and work, these individuals also are subject to additional U.S. taxes – a system that harms America's competitiveness by making foreign workers more economical and therefore more attractive to hire for overseas jobs – even for American companies.

For decades, U.S. tax law provided a limited exclusion for income earned by U.S. workers abroad, under Section 911 of the Internal Revenue Code. However, this exclusion does not eliminate the unfairness faced by Americans working overseas, nor does it recognize the unique financial hardships and other intangible challenges of working abroad.

Making matters worse, changes to Section 911 under the *Tax Increase Prevention and Reconciliation Act (TIPRA) of 2005* reduced this preexisting partial tax exclusion. In some cases, Americans working overseas now pay even higher taxes – by as much as \$25,000. Specifically, a “stacking” provision included in the TIPRA was intended to help ensure that the income of these Americans was not double taxed. However, this provision, coupled with the

treatment of housing benefits that many workers received from their employers, has largely negated any exemption in income level due to the fact that the housing benefits were previously exempt. While the IRS has attempted to mitigate these unintended effects by accounting for the varying costs of living among the many nations where Americans live and work, more needs to be done to improve the competitive conditions for these American workers abroad.

A group comprising American Chambers of Commerce in Asia, U.S. corporations and other US based business groups has formed the Alliance for a Competitive Tax Policy (ACTP). ACTP and its members will generate support for proposed policy changes to create a level, global playing field for U.S. companies and work to prevent further unfair tax burdens on Americans working overseas. Congressman Meeks (D-NY) and Sen. DeMint (R-SC) introduced bipartisan legislation in the 110<sup>th</sup> Congress, the Working American Competitiveness Act – to eliminate unfair taxation of the foreign income of U.S. citizens. Congressman Meeks has reintroduced the bill in the 111<sup>th</sup> Congress, as H.R.1798.

There are an estimated 4 million Americans working overseas. These Americans are on the sales team and the front lines of the global marketplace and they deserve fair and reasonable tax treatment. We appreciate all that you have done to promote a level playing field for U.S. export markets. Furthermore, we appreciate the efforts of your colleagues, particularly the Office of the International Tax Counsel.

We will continue to work with these offices, particularly to obtain reliable third-party data on foreign housing costs to be reflected in the Department's annual housing costs assessment. We also respectfully seek your continued support and we look forward to working with you in the future to ensure an equitable system of taxation for all Americans and maintain America's competitiveness overseas.

Sincerely,

A handwritten signature in black ink, appearing to read "Kristin Paulson". The signature is written in a cursive, flowing style.

Kristin Paulson  
Chair

cc: Mr. Seth Bleiweis  
Financial Attaché, Southeast Asia  
U.S. Department of the Treasury