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August 19, 2026

The Honorable John Thune
Senate Majority Leader
511 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Charles Schumer
Senate Minority Leader
322 Hart Senate Office Building
Washington, DC 20510

Re: Advancing the Taxpayer Assistance and Service Act of 2026

Dear Majority Leader Thune and Minority Leader Schumer,

American Citizens Abroad, Inc. (ACA) is a leading advocacy organization bringing to the attention of the Congress and Administration the issues of U.S. citizens living and working overseas. Headquartered in Washington, DC, ACA is nonpartisan, non-profit (section 501(c)(4)), with a nearly 50-year history of advocating on behalf of the community of U.S. citizens living and working overseas. Alongside ACA is its sister charitable (section 501(c)(3)) research and educational organization, American Citizens Abroad Global Foundation (ACAGF).

ACA and ACAGF are grateful to Congress for its work on reforms to improve taxpayer service, strengthen taxpayer rights, and make tax administration more effective and responsive for taxpayers in the United States and abroad. We are delighted to see Congress recognise that the tax compliance burden for Americans abroad deserves attention and appreciate the progress made in advancing the Taxpayer Assistance and Service Act of 2026 ("TAS Act").

We hope the TAS Act comments and further recommendations in our attached statement are helpful to the finalisation of a bill that makes the task of filing U.S. taxes from abroad as well-supported as the task of filing domestically.

As ACA has frequently noted, Internal Revenue Code provisions impacting Americans abroad are inordinately complex, **require ordinary people to comprehend and apply provisions in bi-national tax treaties, and force them to navigate the convergence of the U.S. tax system with the tax system of the jurisdiction(s) where they live and work.** This is an unmanageable task for ordinary people filing taxes from abroad. Because information and assistance from the IRS have been so woefully inadequate over time, non-resident taxpayers routinely require professional help to file. Of particular concern to us, therefore, is the reliability of the advice and support from paid tax return preparers.

Millions of taxpayers, both in the U.S. and abroad, rely on preparers to complete and file accurate returns. Reasonable safeguards are therefore essential to protect taxpayers from incompetent or unscrupulous preparers, as well as from identity theft, improper use of taxpayer information, and other forms of financial harm. These protections are especially important for taxpayers living outside the United States. We ask that Congress use the TAS Act to establish a practical, appropriately tailored framework that establishes meaningful protections, promotes professional responsibility, and preserves access to affordable tax preparation services.

We welcome the efforts of Congress to alleviate the reporting and compliance concerns of U.S. citizens overseas, nevertheless ACA continues to advocate for the adoption of Residence-based taxation (RBT). Moving to a system of residential/territorial taxation for U.S. citizens overseas would alleviate the serious reporting and compliance issues while also empowering U.S. citizens to work abroad in support of U.S. economic and strategic interests. In An Open Letter to President Trump and U.S. Federal Administration Officials we have documented the ways our current system of citizenship-based taxation weakens America's overall commercial interests and how RBT would expand U.S. exports. The letter explains how U.S. economic, strategic and national security interests require U.S. citizens abroad who can identify opportunities, build relationships, monitor risks, and connect foreign markets to U.S. firms, U.S. standards, U.S. financing and U.S. industrial capacity. We have attached the Open Letter and would be very pleased to meet for a discussion about it and the other matters provided herein.

Kind regards,

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Cc:
Erin Collins, Taxpayer Advocate

ACA statement on the *Taxpayer Assistance and Service Act of 2026*

ACA and other advocates for Americans living and working abroad have been speaking to Congress for two decades about the problems non-resident citizens experience trying to comply with U.S. taxation. Internal Revenue Code provisions impacting Americans abroad are inordinately complex, require ordinary people to comprehend and apply provisions in bi-national tax treaties, and force them to navigate the convergence of the U.S. tax system with the tax system of the jurisdiction(s) where they live and work. This is an unmanageable task for ordinary people filing taxes from abroad. Not surprisingly, non-resident taxpayers routinely require professional help to file because information and assistance from the IRS have been so woefully inadequate over time.

In January 2025 the Senate Finance Committee published a Discussion Draft of the Taxpayer Assistance and Service Act (TAS Act), which is aimed at improving taxpayer service, strengthening taxpayer rights, and making tax administration more effective and responsive for taxpayers in the United States and abroad. **ACA commends Congress for giving serious consideration to how the IRS can improve support and assistance to American taxpayers no matter where they live** and for inviting comments on the TAS Act proposals. In response to the Discussion Draft, ACA published this statement providing detailed remarks and recommendations.

On July 30, 2026, S.3931 *The Taxpayer Assistance and Support Act of 2026* advanced out of the Senate Finance Committee. We commend the Committee for including these initiatives in the bill which relate directly to concerns and reforms that ACA has been discussing with Congress for several years:

- The U.S. Department of the Treasury must conduct a comprehensive study on how to consolidate international information reporting. Treasury must deliver a report to Congress within 180 days of the bill's enactment mapping out a mechanical sequence **to combine FBAR (Bank Secrecy Act) and FATCA (Internal Revenue Code) individual account reporting.**
- The Comptroller General (U.S. Government Accountability Office) must issue a public report within one year specifically highlighting **the financial and administrative compliance burdens placed on U.S. citizens living abroad.** The Treasury is then required to formally **respond with actionable solutions** within one year after that.

We expect the TAS Act to proceed to a Senate floor vote before the end of this term of Congress. We hope that the Senate considers these amendments to the proposed legislation.

- Foreign Currency Capital Gains - whilst the bill increases the exclusion for tax on foreign currency capital gains from $200 to $1,000, we believe gains or losses should be established exclusively in the currency relevant to the asset. Currently the taxpayer can be liable for phantom capital gains tax. In order to eliminate this possibility, there should be no cap on the exclusion. More generally, we support a system of residence-based taxation, under which income generated abroad would no longer be taxable by the U.S.

- Simplified Foreign Tax Credit rules – the bill increases by three times (and indexes for inflation) the threshold in place for bypassing the complex Form 1116 for claiming foreign tax credits and instead claiming the credits directly on their Form 1040 without calculating the complex limitation formulas. We commend the bill for eliminating tedious tax preparation hurdles for hundreds of thousands of low-to-middle-income taxpayers abroad. However, as previously noted, for materially reducing U.S. tax compliance burdens - that often result in no tax owing- we support a system of residence-based taxation, under which income generated abroad would no longer be taxable by the U.S.

- Extension of time to request math error abatement – for taxpayers abroad only, the bill increases from 60 days to 120 days the time frame to request a math error assessment abatement. Changing by 60 days the deadline for responding to notices will not make a material difference to notice recipients living abroad in places with no, or no reliable, postal services. We recommend this provision be amended to require notices be sent electronically to those filing from abroad.

- Paid Tax Return Preparers – As noted, a large proportion of taxpayers filing from abroad use paid professionals to prepare their U.S. tax filing; this TAS Act provisions give them stronger legal protection against fraudulent actors. We recommend Congress go further and instruct Treasury to develop standards for tax return preparers serving non-resident filers.

One further commendation; we are delighted that the TAS Act completely **freezes tax deadlines and eliminates IRS financial penalties for U.S. citizens who are unlawfully detained or held hostage abroad**. It is extraordinary that it took so long for these penalties, affecting individuals and their families who are likely already under enormous personal and financial stress, to be addressed and we expect they are now permanently eradicated.

Lastly, many low-income dual citizens living abroad will be disappointed that the Committee has removed from the bill the waiver from U.S. tax compliance certification for qualifying low-income dual citizens seeking to renounce their citizenship. This would have provided long-sought relief to dual citizens abroad who have little or no connection to the United States.[1]

[1] U.S. citizens living abroad, whose citizenship arises from their birth during their parents' short-term residence in the U.S. or from their birth abroad to at least one U.S. citizen parent, are referred to as "accidental Americans." Accidental Americans frequently have no association or affiliation with U.S. culture or identity, nor a desire to maintain such artificial and bureaucratic ties. Renunciation of their U.S. citizenship requires them to incur significant effort and considerable cost, including demonstrating U.S. tax filing compliance.

An Open Letter to President Trump and U.S. Federal Administration Officials

Residence-Based Taxation as an Economic and Strategic Tool

July 2, 2026

As the United States celebrates the 250 anniversary of our country, American Citizens Abroad (ACA, Inc) believes that this is not only an occasion to celebrate the birth of our nation but it is also a time to consider policies that will further advance our nation's economic and strategic position well into the future. ACA, Inc. encourages the Administration to consider reforming how we tax our U.S. citizens overseas to empower our country's ability to grow our exports and secure strategic assets worldwide.

To the President and the officials of the Department of the Treasury, Internal Revenue Service, Department of Commerce, Department of State, Department of Energy, Department of Defense, Office of the U.S. Trade Representative, Export-Import Bank of the United States, and other federal agencies responsible for tax, trade, supply-chain, industrial, and national-security policy we urge the Administration to support a carefully structured residence-based taxation regime for qualifying U.S. citizens who genuinely reside abroad. This reform should be understood not only as relief from duplicative tax compliance, but as a practical instrument of U.S. economic statecraft.

Under the current citizenship-based model, U.S. citizens living overseas are generally taxed on worldwide income even when that income is generated abroad and already subject to tax in the country of residence. A residence-based taxation system would preserve U.S. taxation over U.S.-source income, U.S. business income, U.S. real estate income, U.S. retirement and deferred-compensation distributions, and other income connected to the United States, while relieving bona fide foreign-resident citizens from U.S. taxation of foreign-source income.

Congress has already considered proposals along these lines, including the Tax Fairness for Americans Abroad Act (H.R.7358 - 115th Congress)and the Residence-Based Taxation for Americans Abroad Act (H.R.10468 - 118th Congress) . The Administration should treat this issue as more than individual tax relief. Properly designed, residence-based taxation (RBT) would expand U.S. commercial reach, support export growth, strengthen critical-mineral and supply-chain strategy, and sharpen federal enforcement by focusing oversight on U.S.-connected income and high-risk conduct.

We ask federal agencies to work with Congress on a revenue-conscious, abuse-resistant RBT framework and to evaluate that framework as part of the broader U.S. economic strategy for exports, critical minerals, resilient supply chains, and national security.

Why this issue is strategic

The United States has two linked imperatives: maintain and grow exports and secure critical inputs for domestic industry. Exports depend on relationships, after-sales service, financing, language capability, cultural dexterity, trust, regulatory navigation, and local presence. Critical minerals and related materials feed semiconductors, batteries, magnets, defense systems, grid equipment, vehicles, telecommunications, and advanced manufacturing.

Both imperatives require trusted people in foreign markets. Trade missions, financing programs, procurement rules, stockpiles, and export controls are necessary, but they work better when U.S.-connected professionals are already present where customers, suppliers, mineral deposits, processors, logistics networks, and political decisions are located.

U.S. citizens abroad can serve as export scouts, commercial intermediaries, compliance translators, project monitors, and supply-chain sentinels. They understand U.S. products, U.S. regulatory expectations, and U.S. business culture, while also developing local knowledge that cannot be replicated from Washington or from an occasional trade delegation visit.

The current tax system weakens America's overseas commercial network

Citizenship-based taxation and related reporting regimes impose overlapping filing, information-reporting, and compliance burdens on Americans who live and work abroad. For entrepreneurs, employees, consultants, and small business owners, those burdens frequently translate into higher prices, lost banking and investment access, limited credit, and reduced competitiveness against local nationals and third-country professionals.

The burden also affects employers. When a U.S. company considers an overseas hire or posting, U.S. tax equalization, reporting support, and compliance risk can make a U.S. citizen abroad more expensive than an otherwise similar non-U.S. professional. For individual consultants and small firms, the same costs must be absorbed or passed into pricing.

The result is strategically counterproductive. A U.S. citizen living in Chile, Germany, Thailand, Australia, Canada, Brazil, or another priority market may be more valuable to U.S. export strategy than a once-a-year trade mission. That person can identify opportunities, engage customers, qualify partners, detect unreliable suppliers, monitor political risk, and build long-term commercial trust.

The Taxpayer Advocate Service has reported significant compliance difficulties for taxpayers abroad and has also found that many individual international taxpayers ultimately report little or no U.S. tax liability after exclusions and credits. That suggests the current system can impose substantial administrative friction even where the federal revenue benefit is limited. The Administration should examine how a targeted RBT framework would produce better enforcement and better economic outcomes.

A workable residence-based taxation framework

Residence-based taxation should be elective, targeted, and tight against abuse. A qualifying U.S. citizen who is a bona fide foreign resident and tax resident of another country would remain a U.S. citizen but would be taxed by the United States on foreign-sourced income in a manner similar to a nonresident alien. U.S.-source and U.S.-connected income would remain taxable.

An RBT framework should include safeguards such as:

- Bona fide foreign residence and foreign tax residency requirements.
- A minimum duration rule so the election is reserved for long-term Americans abroad rather than short-term tax arbitrage.
- Previous and current U.S. tax-compliance.
- Continued U.S. taxation of U.S. business income, U.S. real estate income, U.S. dividends and royalties where applicable, U.S. retirement distributions, and income from work performed in the United States.
- An anti-abuse mechanism for high-net-worth or high-risk cases, with practical exceptions for ordinary taxpayers.
- Exclusion from RBT treatment for individuals residing in sanctioned countries, jurisdictions identified as unacceptable for policy reasons, or tax jurisdictions used primarily for avoidance.
- Reporting rules tailored to enforcement priorities, including sanctions evasion, offshore concealment, and U.S.-source income compliance.

These safeguards would allow the United States to retain taxing rights where U.S. jurisdiction and U.S. assets are involved while reducing the penalty on genuine overseas residence and productive commercial engagement.

How RBT would advance U.S. exports

A residence-based tax system would expand the effective U.S. commercial platform abroad. Americans overseas work as sales representatives, engineers, entrepreneurs, consultants, finance professionals, lawyers, accountants, insurance intermediaries, logistics specialists, project managers, and executives of foreign subsidiaries. With lower compliance friction, more of them could help U.S. firms identify commercial opportunities and complete transactions.

This matters especially for small and medium-sized exporters. Many U.S. small to mid-sized firms cannot afford to establish a foreign subsidiary or send representatives into every promising market. A trusted U.S.-connected professional already living abroad can help with market entry, local procurement rules, customer service, financing, dispute resolution, and partner due diligence.

RBT would also strengthen U.S. service exports. The United States leads in engineering, software, finance, law, education, management consulting, logistics, environmental compliance, insurance, and technical training. Americans abroad can sell and deliver those services while preserving ties to U.S. firms, standards, technology platforms, and professional norms.

For critical minerals and related industrial projects, service exports are often the first point of influence. Even where the United States does not own a foreign mine, U.S. firms can export mining software, environmental monitoring tools, drilling systems, separation technology, equipment, power systems, financial structuring, legal services, and compliance expertise. These services shape supply chains before the first shipment occurs.

Government-backed export finance also depends on people. The Export-Import Bank of the United States (EXIM) and other federal tools can support long-term offtake contracts and supply-chain resiliency, but those arrangements require reliable project identification, counterparty review, beneficial-ownership checks, environmental and labor monitoring, and end-use discipline. U.S. citizens abroad can help provide that legal and commercial due diligence.

Critical minerals, supply chains, and economic security

Residence-based taxation is not a mining policy by itself. It is a force multiplier for mining, processing, export finance, procurement, stockpile management, and trade enforcement. Because critical-mineral strategy is partly a human-network issue, the United States should not discourage U.S.-connected professionals from living and working near the projects, processors, ports, customers, and governments that shape supply chains.

The United States cannot control every mineral deposit in the world. It can, however, influence the parts of the system that touch U.S. jurisdiction: U.S. financing, U.S. procurement, U.S. tax rules, U.S. offtake contracts, U.S. export controls, U.S. stockpiles, U.S. processing facilities, and U.S. end-use markets.

A stronger overseas commercial network would improve project discovery. Americans abroad can identify deposits, secondary sources, recycling streams, processing capacity, and allied supply opportunities earlier than firms relying only on periodic visits. They can also detect risks in local ownership, permitting, labor conditions, financing, and political stability.

RBT would also support offtake control. The decisive point is often not mine ownership, but the contract directing where output goes. If U.S. financing supports a project and the offtake agreement channels output into U.S. or allied processing and manufacturing, the United States can shape supply without formal ownership of foreign resources.

Finally, RBT complements stockpile discipline and end-use monitoring. Federal restrictions and national-security rules are only as effective as the government's ability to identify counterparties and hidden affiliations. A larger pool of U.S.-connected professionals abroad can help verify counterparties, monitor end use, and detect adversary influence in commercial channels.

Requested federal action

We urge the Administration to take the following steps:

- Treat residence-based taxation as an interagency economic-security issue, not solely as individual taxpayer relief.
- Direct Treasury and the IRS to evaluate revenue, compliance, and enforcement effects of an elective RBT framework for bona fide foreign residents.
- Coordinate Commerce, United States Trade Representative (USTR), State, The Export-Import Bank of the United States (EXIM), Department of Energy (DOE), The Department of War (DOD/DOW), and Treasury analysis on how Americans abroad can support export promotion, critical-mineral access, offtake monitoring, and supply-chain resilience.
- Align reporting rules with enforcement priorities so ordinary Americans with genuine foreign residence are not treated as the primary compliance problem.
- Integrate Americans abroad into federal export-promotion and supply-chain strategies as a distributed network of cultural, commercial, technical, and compliance expertise.

These actions would strengthen export growth, support domestic manufacturing, improve federal leverage, and allow tax administration to focus on the risks that matter most: U.S.-source income compliance, sanctions evasion, offshore concealment, abusive migration, and high-risk transactions.

Conclusion

The United States needs more than resources in the ground. It needs trusted resources on the ground: people who can identify opportunities, build relationships, monitor risks, and connect foreign markets to U.S. firms, U.S. standards, U.S. financing, and U.S. industrial capacity.

Properly drafted residence-based taxation would not replace mines, refineries, processing plants, stockpiles, export finance, or trade enforcement. It would make each of those resources more productive by reducing the tax and compliance penalty on Americans who can exploit them to advance U.S. interests abroad.

The current system too often treats Americans overseas as compliance liabilities. A carefully structured RBT regime would treat them as strategic assets while preserving U.S. taxing rights over U.S.-connected income and protecting against abuse.

The Founding Fathers understood the importance of U.S. citizens overseas for building relationships, expanding trade and securing markets and financing. In the year of the celebration of our nation's 250th anniversary the Administration has an opportunity to build on the important role that U.S. citizens overseas play in our country's economic and strategic goals. Reforming how they are taxed to remove barriers to engagement and give them the tools for success is the first step.

Respectfully submitted,

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