



July 26, 2023

The Honorable Michael F. Bennet  
Chairman - Subcommittee on  
Taxation and IRS Oversight  
United States Senate  
219 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable John Thune  
Ranking Member - Subcommittee on  
Taxation and IRS Oversight  
United States Senate  
219 Dirksen Senate Office Building  
Washington, DC 20510

**RE: July 13, 2023 Hearing entitled, “Assessing 25 Years of the Child Tax Credit (1997-2022)”**

Dear Chairman Bennet and Ranking Member Thune:

Thank you for the opportunity to comment on the Child Tax Credit, which is an important benefit for both stateside and American families living abroad.

**We ask that the Committee ensure a residency requirement is not applied when the Child Tax Credit is renewed.**

We would also like to highlight the obstacles and burdens faced by Americans abroad, specifically working and middle-class families benefiting from the Child Tax Credit.

While Americans abroad suffer from the stereotype that they are high-net-worth individuals, 2020 IRS data showed that 60% of returns filed from abroad yielded no revenue.

This categorizes a majority of overseas filers as working or middle-class.

#### **Financial Burden to Qualify for Child Tax Credit**

To qualify for the Child Tax Credit from abroad, individuals must be below a certain income and file Form 1116 (Foreign Tax Credit), which the IRS estimates requires 6 hours to complete<sup>1</sup>.

The cost of paying a professional to prepare Form 1116 can exceed the benefit of the Child Tax Credit itself, which is why many families abroad miss out on this important credit.

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<sup>1</sup> <https://www.irs.gov/instructions/i1116>

Many international taxpayers opt for an alternative route by filing Form 2555 (Foreign Earned Income Exclusion) with an estimated 2.5-hour burden. Filing this form instead prevents families from obtaining the Child Tax Credit.

Our 2022 tax and financial-access survey of Americans abroad found that – because of the disproportionate complexity involved in filing when living abroad – a majority of respondents who paid for tax preparation services spent \$1,001-\$5,000 (for some, a whole month's salary) to engage a specialist tax return preparer<sup>2</sup>. Compared to stateside tax preparation costs, this is at least three times more.

The current excessive tax-filing burden on Americans abroad fuels the private tax compliance industry, while yielding little tax revenue for the U.S. government. This is why we recommend policies enabling the government to clamp down on overseas tax evasion without harming the estimated nine million Americans living abroad<sup>3</sup>.

Sincerely,

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<sup>2</sup> [https://www.democratsabroad.org/2022\\_report](https://www.democratsabroad.org/2022_report)

<sup>3</sup> <https://travel.state.gov/content/dam/travel/CA-By-the-Number-2020.pdf>

Cc:

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The Honorable Mike Crapo  
Ranking Member - Senate Committee on  
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The Honorable Kevin McCarthy  
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The Honorable Hakeem Jeffries  
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The Honorable Charles Schumer  
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The Honorable Mitch McConnell  
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