INTRODUCTION

Between June 18 and July 15, 2014 Democrats Abroad carried out a survey of overseas Americans to examine their experiences related to the Foreign Accounts Tax Compliance Act ("FATCA"). FATCA was passed into law in 2011 and requires US Persons and foreign financial institutions to report annually on financial accounts to the US Internal Revenue Service.

There were 6,552 responses from Americans from all 50 states and the District of Columbia and living in locations across six continents. The data and the comments presented in this paper were collected on an anonymous basis.

These survey results show the intense impact FATCA is having on overseas Americans. Their financial accounts are being closed, their relationships with their non-American spouses are under strain, some Americans are being denied promotion or partnership in business because of FATCA reporting requirements and some are planning or contemplating renouncing their US citizenship.

This paper summarizes the findings detailed in “FATCA: Affecting Everyday Americans Every Day”, which publishes the 2014 FATCA Survey data as well as powerful comments selected from amongst the thousands of comments submitted anonymously by survey participants. Comments were selected for their clarity in illustrating the data and bringing the unintended consequences of FATCA to life.

It bears noting that many remarks from survey participants include genuine support for policy designed to fight tax evasion.

ACCOUNT CLOSURES

The 2014 FATCA survey shows that one in six Americans has been affected by FATCA with the closure of an account in a foreign bank or brokerage house.

The Americans affected are largely middle-class, married and have moved overseas to be with a partner, for a job or to retire. The following graphs demonstrate that they are ordinary people having accounts closed that are essential for everyday personal and household needs.

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1 The survey was distributed to the Democrats Abroad global membership and promoted on the Democrats Abroad website, Facebook pages, DA and other Twitter handles and the websites of organizations of Americans abroad such as the Association of Americans Resident Overseas (AARO) and the Federation of American Women’s Clubs Overseas (FAWCO).
STRAINED RELATIONSHIPS

Some 2.4% of respondents with a partner reported changes in their relationship with a partner (divorce or separation), while 21% reported that they either no longer have joint accounts or are thinking of moving to separate accounts.

Many more noted that the reporting requirements caused stress and conflict between them and a non-American spouse. FATCA can place individuals in an insecure position: “My husband refuses to share a main savings account with me now, which puts me at a disadvantage in the event that something should happen to me, as I would have no legal access to that account. It has put great stress on my marriage.”
These decisions are also made on the basis of professional advice: “Some years ago, our British financial advisor recommended transferring my UK investments to my non-US wife because of IRS complications foreseen by UK financial institutions.”

**DENIED EMPLOYMENT, PROMOTION AND BUSINESS OPPORTUNITIES**

The survey data suggests that about one-fifth (19.6%) of overseas Americans are self-employed. Others work in business. The reporting requirements on accounts on which Americans hold signatory authority has negatively and profoundly affected their ability to own their own businesses and to advance in their profession.

5.6% state that they were denied a position because of FATCA. Their comments make the connection between the two clear: “[I was] told they did not want an "American person" and refused to recognize my EU citizenship. Too costly, complicated and dangerous, they said.”

For the self-employed, who often are direct links between the United States and their countries of residence, the situation is also difficult, as this person said: “Cannot open a business. Period. Cannot sell US products.”

One comment was made numerous times – the general perception of businesses and employers in Americans’ countries of residence: “Distrust of the entire US extraterritorial reach.”

**QUESTIONING US CITIZENSHIP**

A considerable and highly troubling number of responses indicate FATCA is causing some Americans abroad to question their US citizenship.
“I really hope that FATCA will be reformed so that those of us who choose to live in another country are not faced with this burden. I find it ridiculous that we should have to pay the price for US residents hiding their money overseas. It is seriously making me rethink my US citizenship. I feel woefully uninformed about FATCA, and the idea that the IRS might now come after me because I was previously ignorant about the guidelines (and because I am not even certain that I properly filled things out) is terrifying. It is only the last few years that I have even had enough money in the bank for this to be a concern. All the money in my bank accounts is money that I declared on my income tax forms; it is savings. As a result, I truly feel like I am being punished.”

In some cases, it was a financial advisor who recommended renunciation: “Although I have not had any accounts closed, I have been warned by my banker that it would be in my and my family’s best interest to renounce my U.S. nationality as quickly as possible, as things may get to the point where the bank will stop providing services to any person with U.S. connections!”

**STRESS AND COST OF MAINTAINING COMPLIANCE**

FATCA is having a grave impact on retirement planning and causing confusion, frustration and fear of making errors. The financial and emotional costs of complying, now and into the future, are deemed excessive.

“Because of FACTA (sic) I have had to consult a CPA in order to sort out all of these issues, which will cost me between $3,000 - $5,000 to ensure compliance. This is an incredible amount of money and is causing quite a bit of consternation in my life -- will I have to pay this every year to ensure compliance?!”

“For me, the key issues are significant compliance costs for decades to come, fear of serious noncompliance consequences, unfair enforcement and the general feeling that FACTA (sic) is not aiming at the right people, we just happen to be Americans who have settled abroad and dutifully file our returns every year, we are not here for tax reasons in fact our taxes here are higher than at home; this extra burden is unfair and overly broad, surely they can create reasonable exemptions for people like us.”

**FATCA Awareness**

Income plays a key role in awareness of FATCA, understanding of FATCA and the amount of professional advice one receives on understanding and complying with FATCA. Those with higher income have higher awareness, more understanding and more professional advice. Those with lower incomes have less awareness, less understanding and less professional advice – they have fewer options and will be more adversely affected by FATCA.