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Senate Committee on Finance  
Dirksen Senate Office Bldg.  
Washington, DC 20510-6200  
[internationaltax@finance.senate.gov](mailto:internationaltax@finance.senate.gov)

## Re: **“International Tax Reform Framework Discussion Draft”**

Submission on behalf of the Association of Americans Resident Overseas (AARO)

In our submission to the Senate Finance Committee relating to its March 25, 2021, hearing on U.S. International Tax Policy, the Association of Americans Resident Overseas (AARO) strongly encouraged “Congress to extend its review of policies toward international taxation beyond businesses to individuals.” Congress’ purpose “should be to correct the damage caused by longstanding features of the tax code and badly targeted enforcement provisions aimed at overseas Americans.”

We regret that the legislation described in Senators Wyden, Brown and Warner’s discussion draft focuses so narrowly on “mega-corporations.”\* Indeed, it treats “international taxation” as if it were synonymous with “business taxation as applied to large corporations.” At the same time, it ignores individuals and the small businesses that operate under a variety of legal structures and arrangements, all governed by host country law.

Since the legislation under consideration is about business taxation, it provides an obvious vehicle to reverse the damage caused by the 2017 Tax Cuts and Jobs Act (TCJA), which adversely affected small businesses operating overseas. Such a reversal would not relieve all the stresses caused by existing law on American workers, retirees, and small business owners resident overseas, but eliminating the burden of the Global Intangible and Low Income (GILTI) Tax and the so-called “Transition Tax,” as they affect small businesses outside the United States, would be a good first step. The best way to do this would be for the legislation to exempt small businesses from these taxes.

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\*In this regard, we note that as long ago as 2015 the co-chairs of the Committee’s Bipartisan Tax Working Group on International Tax urged the Committee’s chairman and ranking member “to consider carefully the concerns articulated in the submissions [dealing with international taxation of individuals] moving forward.” See <https://www.finance.senate.gov/imo/media/doc/The%20International%20Tax%20Bipartisan%20Tax%20Working%20Group%20Report.pdf> (pages 80-81).

AARO is not well-placed to comment on the specific issues raised in the discussion draft, although, we can comment at a strategic level. We are struck by the complexity of the emerging global tax package, of which the legislation under consideration here will be only one element. We are also concerned that its full implications for overseas Americans will not be understood by drafters. The package is still a work-in-progress, full of undecided questions often quantitative, (e.g., foreign tax credit “haircuts”). At the same time, important elements (Stopping Harmful Inversions and Ending Low-Tax Developments, aka “SHIELD”, and the G-20 agreement on taxation of multi-national corporations) remain to be integrated. We can only guess what kind of tax-driven behavior the ultimate package will encourage, who will be affected, and in what ways. We are especially concerned that the proposed legislation will, once again, unintentionally introduce new provisions damaging to small American-owned businesses located overseas.

Before passage, the full package should be subjected to a serious impact analysis to identify any avoidable negative impact on U.S.-owned businesses located overseas and their owners. AARO, which remains steadfast in believing that legislation potentially affecting overseas Americans should generally follow regular order and include the opportunity for hearings at which interested stakeholders may testify, would also prefer that Congress consider such legislation via something other than the politically expedient budget reconciliation process.

Thank you for offering us this opportunity to make our views known. We remain at your disposal.

Paul Atkinson  
Chairman, Banking Committee

William Jordan  
President