

# Perceived and Actual Consequences of the Foreign Account Tax Compliance Act: A Survey of Americans Living Abroad

## Introduction

The United States tax system taxes any United States taxpayer<sup>1</sup> on worldwide income (citizenship-based taxation, CBT). Thus, Americans living overseas have always had to comply with various special provisions such as the foreign earned income exclusion, foreign tax credit, housing provisions, and disclosure requirements. However, in recent years, U.S. taxpayers living abroad have had to deal with a significant increase of tax compliance issues. One driving force is the heightened focus by the U.S. Treasury on the enforcement of existing rules, such as the foreign bank account disclosure requirements (FBAR). In addition, new provisions with which to comply such as the Foreign Account Tax Compliance Act (FATCA) came into effect. In light of these changes, this study evaluates the effect of foreign tax reporting rules on ordinary American individuals living abroad.

According to fundamental economic theory, good fiscal policy implies that taxes should be equitable, certain, convenient to pay, and easy to collect.<sup>2</sup> A more modern framework established by the American Institute of Certified Public Accountants (AICPA) expands these principles to ten guidelines for what constitutes a “good tax”: equity and fairness, certainty, convenience of payment, economy of calculation, simplicity, neutrality, economic growth and efficiency, transparency and visibility, minimum tax gap, and appropriate government revenues.<sup>3</sup> A third way to evaluate taxes is to weigh costs against

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<sup>1</sup> For income tax purposes, a United States taxpayer is anybody who is a U.S. citizen, a permanent resident, or someone who meets the ‘substantial presence test’ by spending more than 183 days per year in the U.S. Thus, non-U.S. citizens who own a green card are be subject to the same reporting rules as Americans living abroad. For purposes of this report, Americans living abroad and U.S. taxpayers are used interchangeable. On the other hand, the term ‘ex-patriate’ refers to individuals who are no longer U.S. citizens and U.S. taxpayers because they renounced their citizenship. We acknowledge that colloquially one may refer to Americans living abroad as ‘ex-patriates’; however, in this report ‘ex-patriates’ always refers to former U.S. citizens.

<sup>2</sup> Smith, A. (1776). An Inquiry into the Nature and Causes of the Wealth of Nations (selected ed., 1993): p. 450.

<sup>3</sup> Fiore, N. (2002). From the Tax Adviser: Guiding Principles of Good Tax Policy, *Journal of Accountancy*, 193(2): 70.

benefits taking monetary and non-monetary costs and benefits into account. At this point we cannot determine whether the new rules and stricter enforcement lead to increased government revenues. Similarly, we cannot evaluate how much compliance and enforcement cost government agencies and the taxpayers.<sup>4</sup> Therefore, the contribution of this paper is to provide a more indirect cost-benefit analysis by examining individuals' experiences with and perceptions of the foreign tax reporting rules which we contrast against the officially stated rationale.

We partnered with the American Citizens Abroad Global Foundation ACAGF to create a survey designed to assess and illustrate how FATCA's early implementation has affected individual U.S. taxpayers living abroad. We asked specific questions about the impact of FATCA and other rules, including reporting on Foreign Bank and Financial Accounts (FBAR), affecting Americans overseas. Additionally, a number of open-ended questions allowed respondents to provide feedback on their situation and other issues related to U.S. taxation of U.S. taxpayers living abroad.

The remainder of this paper is structured as follows: the next section provides historical and legislative background on FATCA and other foreign tax reporting rules. Section three describes the survey instrument and survey population. In section four, we present the results and section five concludes.

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<sup>4</sup> The Joint Committee on Taxation estimated the additional revenues (presumably from discovering hidden offshore assets) at \$8.7 billion for the 2010-2020 period (Joint Committee on Taxation (2010). Estimating Revenue Effects Of The Revenue Provisions Contained In Senate Amendment 3310, The "Hiring Incentives To Restore Employment Act," Under Consideration By The Senate. JCX-5-10 (February 23, 2010). The document can be accessed via the Joint Committee of Taxation website at <https://www.jct.gov/>). Other estimates are much lower (see for example Byrnes, W. (2015). Is FATCA chasing a Leprechaun and his pot of gold? *Cayman Financial Review*, 40(3): 76-77). Compliance cost estimates range from \$40 to \$160 million annually for more IRS employees and development of an XML FATCA website (United States Government Accountability Office (2012). Report to the Committee on Finance, U.S. Senate. Foreign Account Reporting Requirements, IRS Needs to Further Develop Risk, Compliance, and Cost Plans. GAO 12-484) to over \$200 billion for the private sector worldwide (Hiran, B. (2016). Overview of FATCA, Tax Analysts, August 29, 2016. URL: <http://www.taxanalysts.org/content/overview-fatca>, accessed on January 9, 2017). Interestingly, there was no cost-benefit analysis of FATCA conducted by the House Ways and Means Committee. More reliable data is not (yet) available and may be difficult to obtain at any time.

## Background

FATCA is part of the Hiring Incentives to Restore Employment (HIRE) Act (P.L. 111-147) signed into law in March of 2010. Its purpose was to reduce the ability of U.S. taxpayers to hide assets in offshore accounts. A factor behind the enactment of the law was the 2009 banking scandal where investigators discovered that many Americans were hiding assets in secret offshore accounts at the Swiss UBS bank.<sup>5</sup> Congress reacted to various reports that individuals and corporations were escaping U.S. taxes by not reporting or underreporting income earned abroad.<sup>6</sup> In addition, the ongoing budget crisis of the United States created the urgency of collecting more revenues to match the growing government expenditures. In the eyes of Congress and the Internal Revenue Service (IRS), FATCA is a means to increase tax compliance by U.S. taxpayers with foreign financial accounts. Specifically, FATCA focuses on both the U.S. taxpayers and their disclosure of their foreign financial accounts and offshore assets as well as, the foreign financial institutions and their reporting of financial accounts held by U.S. taxpayers and foreign entities with substantial U.S. taxpayer ownership interest. The rationale is that if both U.S. taxpayers as well as financial institutions must report account information, the IRS will be better able to discover hidden assets and missing income information.

The implementation of FATCA has been quite complex and key dates have been postponed several times. Rules related to individual taxpayers went into effect for the 2014 tax year. Reporting by foreign banks on accounts owned by US taxpayers began on September 30<sup>th</sup> of this 2014, and foreign tax

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<sup>5</sup> Kuenzi, D. (2016). What is FATCA? What do American Investors Need to Know? Thun Financial Advisors Research. (URL: <https://thunfinancial.com/site/wp-content/uploads/2016/03/New-US-Fatca-2016.pdf>; retrieved on January 8, 2017)

<sup>6</sup> Bogaard, J.H. and Draz, M.E. (2013). What the ...FATCA (Foreign Account Tax Compliance Act). *The National Law Review* (March 14, 2013). (URL: <http://www.natlawreview.com/article/whatthe-fatca-foreign-account-tax-compliance-act>; retrieved on January 8, 2017)

authorities have begun passing along to the IRS information given to them by the banks. At the entity level, FATCA is enforced by assessing a 30% withholding tax on certain U.S. source income paid to foreign financial entities (I.R.C. Sections 1471 through 1474). If entities want to avoid withholding and payment of taxes to the U.S. Treasury Department, they must provide the U.S. IRS with certain information about U.S. taxpayers, including the amounts and types of income earned. They can do this by reporting to their local foreign tax authority, which, in turn, will send the information to the IRS. In some instances, US taxpayers can report directly to the IRS. Individuals also have new disclosure requirements which relate to foreign financial assets, investments in foreign investment companies, connections with foreign trusts, and the like (I.R.C. Sections 6038D and 6048). These requirements were put in place in addition to the existing Report of Foreign Bank and Financial Accounts (FBAR). Note that these rules apply to all U.S. taxpayers whether they live in the United States or abroad. However, Americans living overseas are much more likely to have to deal with these requirements, while at the same time often having less access to resources that might help them understand the provisions.

FATCA added a requirement to report information about certain “Foreign Financial Assets”, which is embodied in Form 8938 (attached to the ordinary Form 1040). This information can include information about foreign bank accounts. Before FATCA, there was an existing requirement to provide information about foreign bank and financial accounts on an FBAR (electronic FinCEN Form 114, Report of Foreign Bank and Financial Accounts). While these requirements look quite similar, they are different in several, sometimes subtle, ways. For example, there might be different reporting thresholds, due dates, penalties, and treatment afforded certain interests, etc.<sup>7</sup> Note that the FATCA filing requirements

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<sup>7</sup> A comparison of Form 8938 and FBAR requirements is provided by the IRS at <https://www.irs.gov/Businesses/Comparison-of-Form-8938-and-FBAR-Requirements>.

do not replace the FBAR filing requirements, which is filed with Financial Crimes Enforcement Network (FinCEN), which is a bureau of the Department of Treasury separate from the IRS.

Penalties for failing to file the disclosures are quite steep. For example, as to FBAR reporting, if the failure is non-willful, the penalty is up to \$10,000. If willful, the penalty can be the greater of \$100,000 or 50% of the account balance, and criminal penalties might also apply. If a taxpayer can demonstrate reasonable cause, the penalty can be waived.

Considering that most Americans living overseas will have foreign financial accounts as well as interest in other foreign financial assets many (if not most) of them are subject to the above-referenced reporting requirements. Treas. Reg. §1.6038D-2 specifies that unmarried U.S. taxpayers living in the U.S. must file form 8938 if the total value of certain foreign financial assets is more than \$50,000 on the last day of the tax year or more than \$75,000 at any time during the tax year. Unmarried U.S. taxpayers living abroad must file if the value of specified foreign financial assets is more than \$200,000 on the last day of the year or \$300,000 at any time during the year. For certain taxpayers filing jointly the threshold amounts are doubled. The new rules, and their interaction with existing law have created confusion and consternation among many U.S. taxpayers. In addition, significant numbers of taxpayers have been faced with situations where banks and other financial institutions either closed their accounts or refused to open accounts for them. In light of this background, we pose the following research questions:

RQ1: Do Americans living abroad generally have a favorable or unfavorable view of the United States' Tax System as it relates to them and their lives abroad?

RQ2: How do Americans living abroad perceive the problem of tax evasion in the United States and in the country of residence?

RQ3: How do Americans living abroad perceive and experience FATCA as well as other foreign tax reporting rules?

## Methodology

As stated previously, the purpose of this paper is to evaluate the impact of FATCA and other reporting requirements on the everyday U.S. taxpayer living abroad. At this point no archival data with information about individual taxpayers living in other countries exists and/or is publicly available. Our intent was to not only assess the impact of the law but also to summarize the affected taxpayers' perceptions. Thus, we designed a survey instrument based on similar questionnaires used in the past on topics of interest to the American communities overseas. The first part of our instrument asks questions related to demographic information, living & employment abroad, and voting behavior. The second part addresses general tax issues for Americans living abroad, general perceptions of FATCA, its impact and purpose, as well as specific issues and effects of FATCA on the respondent and his or her family. Last, we inquire about financial situations and whether the subjects wish to share any additional information with us. (The survey questions are listed in Appendix A.)

The survey was deployed using a web-based approach and distributed by sending out a URL. It was pre-tested using a focus group of researchers and representatives of the American Citizens Abroad organization. Next, a group of approximately 60 college students was asked to complete the questionnaire in order to determine (a) the approximate time required for completion, and (b) whether there are any significant errors in the instrument. After this period of extensive testing the survey was officially launched on June 16, 2015 and was distributed to the population of Americans living abroad via various communication channels such as social media pages, websites, and press releases. The website with the survey URL remained open for almost two months and was closed at the beginning of August 2015. At this point, 684 individuals had responded.<sup>8</sup> The population answering the questionnaire is

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<sup>8</sup> Note: this excludes the responses from the pre-test period.

summarized in Figure 1 through Figure 4 below. All responses – the data as well as the extra comments – were submitted anonymously.

(Insert Figure 1–Figure 4 about here.)

Figures 1-4 illustrate the diversity of the subject pool. Answers were submitted from individuals living in over 60 countries with Canada, the United Kingdom, Switzerland, Australia, and France being the most common countries of residence. The gender distribution is fairly equal with a slightly higher percentage of women answering the questionnaire. The majority of respondents is either married or in a common law marriage situation. Many subjects are of traditional working age (under 55 years) and most are below traditional retirement age (under 65 years). About half of the individuals are dual (or multiple) citizens; the remainder has U.S. citizenship only.

This diversity is also reflected in the stated reasons for living abroad, the time spent abroad, and the planned duration of living overseas. While a majority indicates that marriage (or more generally finding or staying with a partner) was the main reason for moving and staying abroad, many other factors applied. Based on the results of the study, American citizens live abroad for employment reasons, because they were born abroad but have (an) American parent(s), or they were born in the United States but have non-U.S. parents who subsequently moved back or elsewhere. Many individuals indicated ‘other’ explanations such as a ‘mix of reasons including employment, partnership, study, and quality of life...’ or having immediate family living overseas.

(Insert Figure 5 about here.)

As one can infer from the reasons given for living abroad the length of time having lived outside the country also varies greatly ranging from one to 60 years with an average of 21 as shown in Figure 7. Most also indicate that they either do not know when or if they will return to the United States at some point in their lives. When asked if they are planning on retiring abroad only 24 answered “No.” “Yes” answers were 333; 170 are already retired and 100 do not know. The remaining population did not

respond to this question. At the same time over 560 individuals either plan on living abroad indefinitely or do not know how long they will stay in their country of residence (Figure 6).

(Insert Figure 6 and Figure 7. Respondents' Length of Time Lived Abroad

## **Results**

The survey comprises four separate parts, as follows. We started with questions related to the individuals' perceptions of the United States tax system in general. Second, we asked them to assess how the United States tax system and tax authority compares to those of other countries (specifically their country of residence). The third set of questions was about the general and specific attitude towards taxes, tax compliance, and tax evasion. Last, we wanted to know more about the respondents' experience with and opinion of the Foreign Account Tax Compliance Act and other foreign tax reporting rules. We also allowed individuals to respond to several open-ended questions and encouraged them to reach out if they wished to provide more details about the impact of U.S. tax laws on their lives. The descriptive statistics of these four sets of survey questions are presented and discussed in Tables 1–4.

Our first research question (RQ1) sought to answer whether Americans living abroad generally have a favorable or unfavorable view of the U.S. tax system as it relates to them. Table 1 provides information about the total number of respondents and their agreement or disagreement with statements concerning the U.S. tax system in general. The majority of Americans living overseas find that the U.S. Tax Law is more complex than the corresponding legislation in the country of their residence and they do not see themselves sufficiently supported by the U.S. Government or the IRS when working on U.S. tax compliance. Many also indicate that this puts them at a disadvantage at their current workplace and business environment and that the complexity of U.S. tax provisions for Americans living abroad has increased in recent years. Overall, the responses to questions related to

RQ1 indicate that Americans living abroad have an unfavorable view the U.S. tax laws with which they must comply.

(Insert Table 1 about here.)

The second research question (RQ2) in our study addressed how Americans living abroad perceived the threat of tax evasion by American citizens in the U.S. and those living abroad. Because the FATCA was specifically enacted to curtail tax evasion by American citizens with assets in foreign financial institutions, the research question is designed to gain perspective on whether Americans believe the need for the FATCA is valid. Table 2 shows answers to questions about perceived tax evasion and the U.S.' role in combatting tax evasion. Responses indicate that Americans living overseas do not see tax evasion as a big problem but they do think some control and efforts to combat this crime is necessary. However, they do not believe more legislation is needed to do this.

(Insert Table 2 about here.)

Our third research question (RQ3) seeks to assess the impact of FATCA on American citizens abroad. It should be noted that the information in Table 3 are in response to questions about FATCA, but probably also reflect foreign tax reporting rules in general including FBAR. Americans living overseas are very concerned with issues related to FATCA as well as other tax reporting requirements applicable to Americans overseas. They indicate that it affects them and their families, that it has put them at a competitive disadvantage and that it affected how people in their country of residence think of the United States. Most respondents indicate that they are not sufficiently informed about the ramifications of the law. They indicate that it either has and/or will affect their voting behavior. Lastly, they feel strongly that the law should be reworked in order to help Americans living abroad regain access to banking services (that have been denied due to FATCA) and to include some version of a 'same country exception.'

(Insert Table 3 about here.)

The truly surprising result of this survey was the willingness and desire of the respondents to offer explanations, comments, and express their individual concerns. Several fields in the survey allowed the taxpayers to voice additional concerns. Three questions were completely open-ended asking about the individuals' experiences with penalties, reporting requirements and the entire situation in general. The statistics of responses to these questions are summarized in Table 4 below. Up to 36% of the total respondents provided additional comments some of which are quite lengthy with up to 484 words in total. The average word count was around six to 19 if the observations without response are included and between 37 and 52 of those who did respond. This extensive commentary is in many cases reflection of the respondents' frustration with the subject matter and the feeling of not being taken serious and/or understood by their political representatives.

(Insert Table 4 about here.)

Prior studies as well as anecdotal evidence has shown that demographic factors such as age and gender impact taxpayer attitudes and compliance behavior.<sup>9</sup> Thus, although our research questions did not address this, we were curious if the responses to the survey questions differed significantly depending on respondents' gender, age, as well as time lived abroad. Non-tabulated results from t-tests suggest that with regard to gender the survey responses do not differ significantly for most of the questions. Women are less likely to believe that the IRS keeps them informed and that it has the tools to combat tax evasion. They also consider them less informed about FATCA and the penalties associated with a violation of foreign reporting rules. Similarly, age does affect how people perceive the U.S. tax system, the foreign tax reporting requirements and how well they consider themselves informed about

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<sup>9</sup> See for example, Blumenthal, M. and Slemrod, J. (1992) The Compliance Cost of the U.S. Individual Income Tax System: A Second Look After the Tax Reform. *National Tax Journal*, 45(2): 185-202.; Helhel, Y. and Ahmed, Y. (2014). Factors Affecting Tax Attitudes and Tax Compliance: A Survey Study in Yemen. *European Journal of Business and Management*, 6(22): 48-58; Lubian, D. and Zarri, L. (2011). Happiness and Tax Morale. *Journal of Economic Behavior and Organization*, 80(2011): 223-243.

the foreign tax reporting rules. To examine the relationship further we estimated the impact of gender, age, and time lived abroad using OLS regression for each of the survey responses using the following model:

$$\begin{aligned} \text{Response} = & \beta_0 + \beta_1 \text{FEMALE} + \beta_2 \text{TIME\_ABROAD} + \beta_3 \text{AGE25\_34} + \beta_4 \text{AGE35\_44} + \\ & \beta_5 \text{AGE45\_54} + \beta_6 \text{AGE55\_64} + \beta_7 \text{AGE65\_74} + \beta_8 \text{AGEOVER74} + \varepsilon \end{aligned}$$

*Response* is each survey participants answer to the survey question ranging from 1 (completely disagree with the statement) to 5 (completely agree with the statement). *FEMALE* is an indicator variable equaling 1 for female respondents and zero otherwise. *TIME\_ABROAD* is the respondent's time lived abroad (measured in years). *AGE25\_34*, *AGE35\_44*, *AGE45\_54*, *AGE55\_64*, *AGE65\_74*, and *AGEOVER74* are also indicator variables equaling 1 for the age group 25 to 34, 35 to 44, 45 to 54, 55 to 64, 65 to 74, and over 74 respectively – and zero otherwise. (Note that no respondent was under the age of 25.) The results are presented in Tables 5 through 7. With regard to the general perception of the U.S. tax systems, as show in table 5 below, the time lived abroad seems to matter the most. The longer an individual has been a resident of another country the more complex they find the U.S. tax system and the lower they rate the IRS' ability to keep them informed.

(Insert Table 5 about here.)

It appears that none of the variables matter much when evaluating specifically the impact of FATCA on the survey participant. The regression results presented in table 6 indicate that regardless of gender, age, or time lived abroad people feel similarly (negatively) about the new law. Note that the adjusted r-squares for each survey questions are very low suggesting that other factors besides demographics are more important in determining how Americans living abroad feel about FATCA.

(Insert Table 6 about here.)

However, gender, time lived abroad and age does seem to affect how informed individuals believe they are. Specifically, regressions results, shown in table 7, support the notion that female

respondents rate their knowledge of the foreign reporting rules lower than male respondents. At the same time having been abroad for a longer time and being older is positively correlated with the respondents' self-assessed understanding of the laws.

(Insert Table 7 about here.)

An untabulated analysis of the open-ended responses indicates that older and female respondents and those who have lived abroad for a longer time are more likely to input additional comments to the survey. The tone of the responses to open-ended question can be characterized as unhappy, frustrated, and disappointed. More specifically, respondents are frustrated with the American lawmakers and government, upset that they are treated like criminals, and disappointed in their representatives. Many further believe that FATCA is unfair, unjust, and unconstitutional. They believe that the penalties are outrageous and that foreign tax reporting rules are a form of discrimination.

### **Concluding Remarks**

The main purpose of this research was to find out how Americans living abroad perceive and experience the Foreign Account Tax Compliance Act (FATCA) and other foreign tax reporting rules. The three research questions in our study seek answers about how Americans living abroad perceive and experience the U.S. tax laws that pertain to them, in particular the FATCA. Our findings indicate that Americans living abroad generally have an unfavorable view of the FATCA. This unfavorable view seems to stem from the complicated and cumbersome procedures to comply with FATCA and is likely exacerbated by the perception that American citizens living abroad do not perceive the intent of the FATCA, curbing tax evasion by reporting assets in foreign financial institutions, as a big problem.

The survey results show that Americans living overseas are mindful of the fact that tax evasion is a problem that needs to be combated. However, they generally perceive the impact of FATCA as a burden, detrimental for personal and professional reasons. As a group, they agree to a high degree

(86%) that FATCA should include a “Same Country Exemption” (i.e., no reporting requirements for accounts held in the country of residence), which would provide some relief from FATCA’s most or onerous consequences. Respondents to our survey felt that compliance with the US tax laws puts them at a disadvantage compared to ordinary citizens from their country of residence. Additionally, respondents generally felt that the IRS was not keeping them informed about how to comply with the evolving tax laws for American citizens living abroad. The survey results, in particular the responses to the open-ended questions, indicate that the introduction of FATCA impacted how Americans living abroad perceive their home country. There appears to be a consensus among many respondents that their government does not recognize how the FATCA legislation is negatively affecting them and limiting their ability to maintain banking and financial relationships. Most feel that their government is not doing enough to try and address their concerns and problems. When examining differences across gender and age we discover that with the exception of their attitude towards the IRS and their assessment how well they are informed about the foreign reporting rules gender does not appear to make a big difference. Regression results indicate that an important factor affecting how respondents feel about the U.S. tax law and its impact on their lives is the time they have lived abroad. Not surprisingly, the longer individuals have lived outside the United States the more they perceive the U.S. tax law as complicated and/or having gotten more complex. Age does impact some but only few of the survey responses such as whether the FATCA rules should include a “same country exception” and the assessment whether FATCA affects how people think of the United States. Time lived abroad, gender and age also impacts the likelihood of a respondent to provide more feedback using the open-ended questions. However, low overall F-values and adjusted r-square metrics indicate that neither demographics nor time lived abroad explain the differences in survey responses much. Despite a relatively heterogeneous group of individuals living all over the globe these American citizens appear to agree that foreign tax reporting rules – and FATCA in particular – is burdening them unjustly and that changes are needed. Future

research may want to address how foreign reporting rules could be altered to meet their stated goal of catching tax evaders while at the same time being less burdensome on ordinary law-abiding U.S. taxpayers. For example, the “same-country exception” would allow taxpayers to have accounts at financial institutions in their country of residence without having to report this information to the American tax authority. Another change could be an increase in the threshold amounts (including adjustments for inflation) from \$10,000 or \$50,000 (for FBAR and FATCA reporting requirements respectively) to a much higher amount. In addition to that, the survey results clearly indicate that Americans living abroad need support and assistance to comply with the new reporting requirements. Tax preparation, especially for U.S. taxpayers living abroad, is costly in terms of time and money. Any assistance, maybe similar to the Volunteer Income Tax Assistance (VITA) programs in the United States, would go a long way. Last, Americans living abroad should not be treated like criminals. The perception that the IRS believes all U.S. taxpayers with foreign financial accounts are “guilty of tax avoidance until proven innocent” creates a climate of distrust. For example, the fact that the Foreign Bank Account information is submitted to the “Financial Crime Enforcement Network” suggests that individuals subject to this reporting requirement are criminals. We believe that the change of tone in addition to a more understanding and supportive approach by the American government and tax administration is needed.

**Tables and Figures**

**Table 1. Respondents' Perception of the U.S. Tax System in General**

<b>How Much Do You Agree With Each of the Following Statements?</b>	<b>Number</b>	<b>Mean</b>	<b>Percent who Responded 1 (Strongly Disagree)</b>	<b>Percent who Responded 2 (Disagree)</b>	<b>Percent who Responded 3 (Neutral)</b>	<b>Percent who Responded 4 (Agree)</b>	<b>Percent who Responded 5 (Strongly Agree)</b>
U.S. Tax Law is more complicated than the tax law in my country of residence.	566	4.68	1.59%	1.59%	5.12%	10.42%	81.27%
Having to comply with the U.S. tax law puts me (my business) at a disadvantage compared to other people working in my country of residence.	515	4.65	1.75%	0.97%	6.02%	13.40%	77.86%
The U.S. tax law has gotten more complicated in recent years.	554	4.72	2.17%	0.90%	3.97%	8.48%	84.48%
The IRS (U.S. Government) is doing a good job at keeping me informed about how to comply with the U.S. Tax Law.	560	1.59	62.14%	22.50%	10.71%	3.21%	1.43%

**Table 2. Respondents' Perception of Tax Evasion in the United States and in their Country of Residence**

<b>How Much Do You Agree With Each of the Following Statements?</b>	<b>Number</b>	<b>Mean</b>	<b>Percent who Responded 1 (Strongly Disagree)</b>	<b>Percent who Responded 2 (Disagree)</b>	<b>Percent who Responded 3 (Neutral)</b>	<b>Percent who Responded 4 (Agree)</b>	<b>Percent who Responded 5 (Strongly Agree)</b>
Tax evasion is a big problem in the United States	537	3.05	7.45%	23.09%	36.13%	7.45%	10.06%
The United States should combat tax evasion	553	3.89	2.35%	1.63%	18.26%	59.86%	17.90%
The Internal Revenue Service (IRS) has the necessary tools in place to combat tax evasion	522	3.01	12.45%	20.69%	31.03%	25.48%	10.34%
There needs to be more tax evasion legislation in the United States	537	2.37	26.63%	26.44%	34.45%	8.19%	4.28%
Tax evasion is a big problem in my country of residence	540	2.64	21.67%	29.26%	21.85%	18.15%	9.07%
My country of residence is doing enough to combat tax evasion	534	3.52	4.87%	13.48%	26.40%	34.83%	20.41%

**Table 3. Respondents' Comments on the Impact of FATCA**

<b>How Much Do You Agree With Each of the Following Statements?</b>	<b>Number</b>	<b>Mean</b>	<b>Percent who Responded 1 (Strongly Disagree)</b>	<b>Percent who Responded 2 (Disagree)</b>	<b>Percent who Responded 3 (Neutral)</b>	<b>Percent who Responded 4 (Agree)</b>	<b>Percent who Responded 5 (Strongly Agree)</b>
FATCA will impact me and/or my family.	555	4.65	0.18%	1.44%	5.41%	19.64%	73.33%
FATCA impacts American businesses in my country of residence.	531	4.58	0.19%	0.00%	12.05%	17.51%	70.24%
FATCA affects how people think of the United States.	558	4.61	0.18%	1.97%	7.35%	17.56%	72.94%
People in my country of residence generally do not like FATCA.	540	4.52	0.37%	0.74%	13.33%	17.78%	67.78%
FATCA had an impact on my vote in the most recent elections.	400	3.66	4.00%	15.75%	30.00%	11.25%	39.00%
FATCA will impact my vote in the next elections.	482	4.32	2.90%	4.15%	14.32%	15.56%	63.07%
FATCA does not affect me.	554	1.46	72.38%	17.15%	5.05%	2.53%	2.89%
FATCA has increased the complexity of my tax returns.	528	4.49	3.41%	1.89%	7.95%	15.72%	71.02%
FATCA has put me at a disadvantage compared to other people living in my country of residence.	541	4.49	2.96%	2.40%	8.13%	15.71%	70.79%
I believe FATCA is necessary to prevent tax frauds.	557	1.64	61.04%	22.98%	9.52%	4.31%	2.15%
FATCA needs to be re-worked to allow Americans overseas access to banking services.	544	4.72	3.31%	0.55%	2.94%	7.17%	86.03%
FATCA should include a "Same Country Exemption" (i.e., no reporting requirements for accounts held in the country of residence).	546	4.66	4.40%	1.47%	4.03%	4.03%	86.08%

I am very informed about the "Foreign Account Tax Compliance Act" (FATCA) reporting requirements	514	3.34	11.09%	16.54%	15.37%	41.63%	15.37%
I am very informed about the penalties imposed for non-compliance with the "Foreign Account Tax Compliance Act" (FATCA)	514	3.24	11.67%	20.04%	16.54%	36.38%	15.37%
I am very informed about the "Report of Foreign Bank and Financial Accounts" (FBAR) requirements	515	3.50	8.74%	16.31%	13.20%	40.00%	21.75%
I am very informed about the penalties imposed for non-compliance with the "Report of Foreign Bank and Financial Accounts" (FBAR)	514	3.33	11.48%	19.84%	12.45%	36.19%	20.04%

**Table 4. Responses to Open-Ended Questions**

	Do You Have Additional Comments about Potential Non-Compliance Penalties? If so, please elaborate below.	If you have any other comments about FATCA and FBAR reporting requirements and penalties for non-compliance, please enter them below.	Is There Anything Else on Which You Would Like to Elaborate With Regard to FATCA, FBAR, Foreign Tax Reporting, and U.S. Tax Compliance in General?
Number of open-ended responses (% of total responses)	124 (18%)	193 (28%)	244 (36%)
Maximum words for a single individual response	359	238	484
Average word count including responses with no comments	7	12	19
Word count - average (excluding zeros)	37	41	52

**Table 5. Regression Results for Questions about General Perception of U.S. Tax Law**

	<b>Dependent Variable: How Much Do You Agree With Each of the Following Statements? (1 = Completely Disagree; 5 = Completely Agree)</b>			
	U.S. Tax Law is more complicated than the tax law in my country of residence.	Having to comply with the U.S. tax law puts me (my business) at a disadvantage compared to other people working in my country of residence.	The U.S. tax law has gotten more complicated in recent years.	The IRS (U.S. Government) is doing a good job at keeping me informed about how to comply with the U.S. Tax Law.
Female	0.0038	0.0594	-0.0335	-0.1433*
Time lived abroad	0.0111***	0.0052**	0.0140***	-0.0102***
Age 25 to 34	0.48157*	0.1209	0.0708	-0.1435
Age 35 to 44	0.3972	-0.0148	-0.0190	0.1634
Age 45 to 54	0.1699	-0.0471	-0.2735**	0.2438
Age 55 to 64	0.0164	-0.0926	-0.3777***	0.4831*
Age 65 to 74	-0.0321	0.1674	-0.3357	0.6548***
Age over 75	-0.3643	0.0594	-0.0335	-0.1433**
Adjusted r-square	0.044	-0.001	0.048	0.034

*Notes: The dependent variables are the responses from 1 (completely disagree) to 5 (completely agree) for each of the survey questions; explanatory variables are dummy variables for gender (set as 1 for female respondents and zero otherwise) and age groups (set as 1 for the respective group and zero otherwise); time lived abroad is measured in years; \*, \*\*, and \*\*\* indicate significance at the .1; .05; and .01 level respectively.*

**Table 6. Regression Results for Questions the Impact of FATCA**

	Dependent Variable: How Much Do You Agree With Each of the Following Statements? (1 = Completely Disagree; 5 = Completely Agree)					
	FATCA will impact me and/or my family.	FATCA impacts American businesses in my country of residence.	FATCA affects how people think of the United States.	People in my country of residence generally do not like FATCA.	FATCA had an impact on my vote in the most recent elections.	FATCA will impact my vote in the next elections.
Female	0.0120	-0.0592	0.0917	0.0387	-0.2667**	-0.0997
Time lived abroad	0.0037*	0.0036	0.0030	0.0042	0.0044	0.0061
Age 25 to 34	0.3959*	0.1273	0.3852	0.1703	0.0713	0.6848*
Age 35 to 44	0.2822	0.1536	0.4160*	0.2081	0.2805	0.7499**
Age 45 to 54	0.2139	-0.0118	0.5448**	0.2210	0.0601	0.5642
Age 55 to 64	0.1353	-0.0056	0.4821**	0.0715	0.1766	0.5309
Age 65 to 74	-0.0746	-0.0197	0.4044*	0.0892	0.0864	0.2632
Age over 75	0.1257	-0.2620	0.6893**	0.2459	-0.7339	-0.5972
Adjusted r-square	0.020	-0.003	0.012	-0.005	0.002	0.023

*Notes: The dependent variables are the responses from 1 (completely disagree) to 5 (completely agree) for each of the survey questions; explanatory variables are dummy variables for gender (set as 1 for female respondents and zero otherwise) and age groups (set as 1 for the respective group and zero otherwise); time lived abroad is measured in years; \*, \*\*, and \*\*\* indicate significance at the .1; .05; and .01 level respectively.*

**Table 6. Regression Results for Questions the Impact of FATCA (continued)**

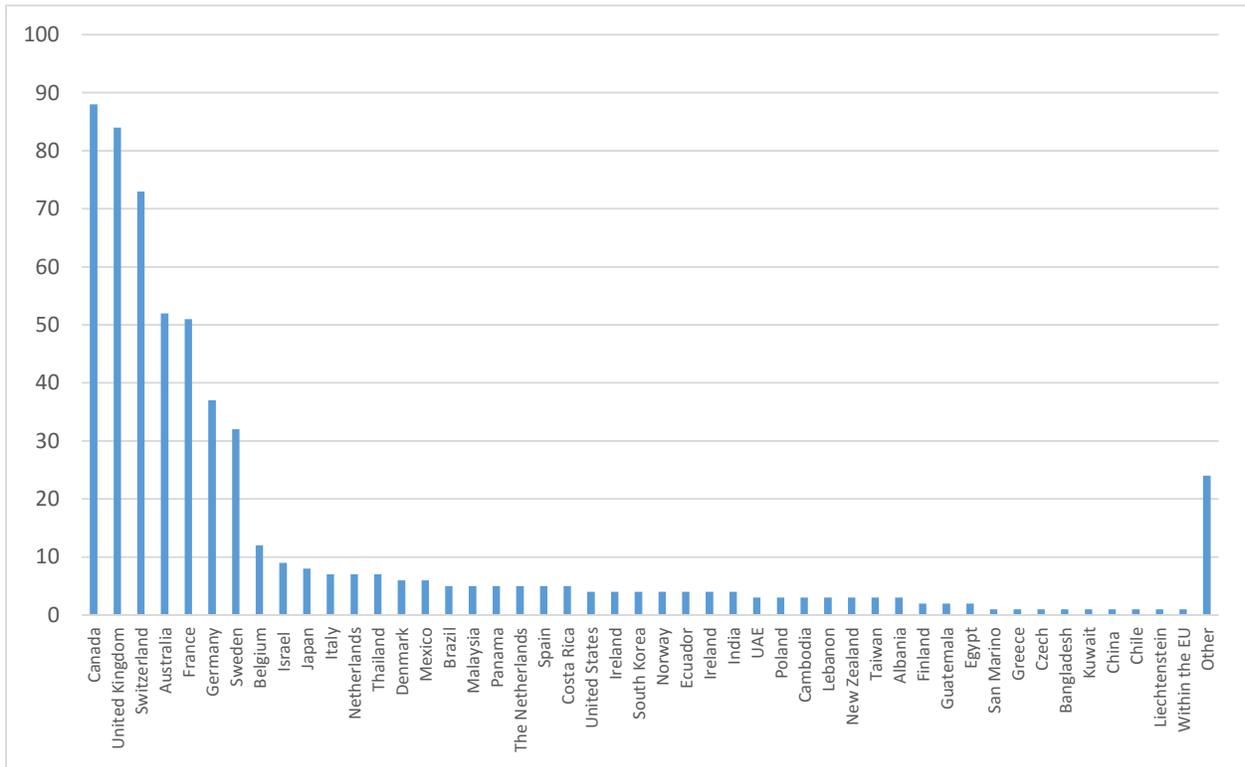
	Dependent Variable: How Much Do You Agree With Each of the Following Statements? (1 = Completely Disagree; 5 = Completely Agree)					
	FATCA does not affect me.	FATCA has increased the complexity of my tax returns.	FATCA has put me at a disadvantage compared to other people living in my country of residence.	I believe FATCA is necessary to prevent tax frauds.	FATCA needs to be re-worked to allow Americans overseas access to banking services.	FATCA should include a "Same Country Exemption" (i.e., no reporting requirements for accounts held in the country of residence).
Female	0.0019	-0.0998	-0.0893	-0.04625	-0.0319	0.08715
Time lived abroad	0.0022	0.0013	0.0073**	-0.00404	0.0003	-0.0009
Age 25 to 34	-0.0705	0.0312	0.1767	-0.22432	0.2934	0.6791*
Age 35 to 44	-0.2394	0.1070	0.1190	-0.32329	0.2212	0.5232**
Age 45 to 54	-0.1715	0.1332	0.0446	-0.22564	0.2605	0.5965**
Age 55 to 64	-0.0644	0.1116	-0.2363	0.02216	0.2150	0.5785**
Age 65 to 74	0.1762	0.0217	-0.2577	-0.10432	0.1972	0.3437
Age over 75	-0.3718	-0.6570	-0.2162	0.1806	0.5080	0.8809*
Adjusted r-square	0.012	-0.000	0.015	0.002	-0.011	0.006

*Notes: The dependent variables are the responses from 1 (completely disagree) to 5 (completely agree) for each of the survey questions; explanatory variables are dummy variables for gender (set as 1 for female respondents and zero otherwise) and age groups (set as 1 for the respective group and zero otherwise); time lived abroad is measured in years; \*, \*\*, and \*\*\* indicate significance at the .1; .05; and .01 level respectively.*

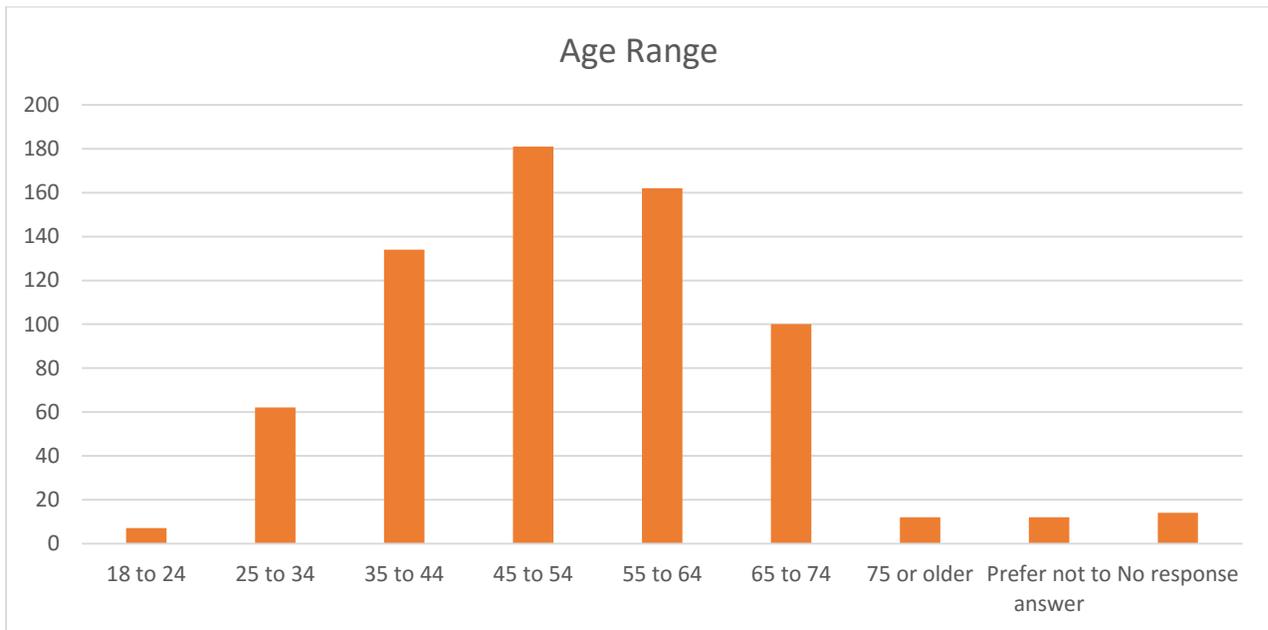
**Table 7. Regression Results for Questions about Being Informed of Foreign Tax Reporting Rules**

	<b>Dependent Variable: How Much Do You Agree With Each of the Following Statements? (1 = Completely Disagree; 5 = Completely Agree)</b>			
	I am very informed about the "Foreign Account Tax Compliance Act" (FATCA) reporting requirements	I am very informed about the penalties imposed for non-compliance with the "Foreign Account Tax Compliance Act" (FATCA	I am very informed about the "Report of Foreign Bank and Financial Accounts" (FBAR) requirements	I am very informed about the penalties imposed for non-compliance with the "Report of Foreign Bank and Financial Accounts" (FBAR)
Female	-0.2201**	-0.2118*	-0.1879*	-0.2399**
Time lived abroad	0.0095**	0.0089**	0.0110**	0.0106**
Age 25 to 34	0.0994	0.5440	0.1234	0.5139
Age 35 to 44	0.1770	0.6957	0.2265	0.6413
Age 45 to 54	0.4910	0.9151*	0.4491	0.9477*
Age 55 to 64	0.7072	1.2370**	0.6583	1.1007**
Age 65 to 74	0.7676	1.2247**	0.7718	1.1333**
Age over 75	0.3416	0.8129	0.3749	0.6410
Adjusted r-square	0.062	0.063	0.057	0.057

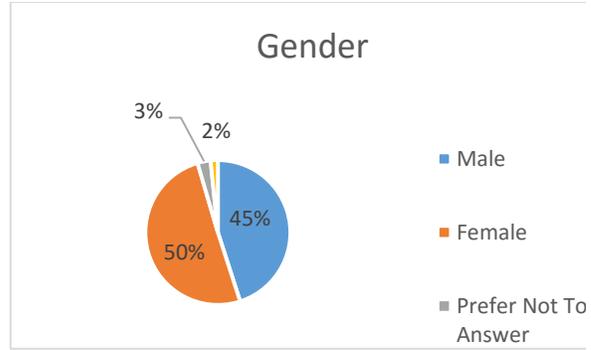
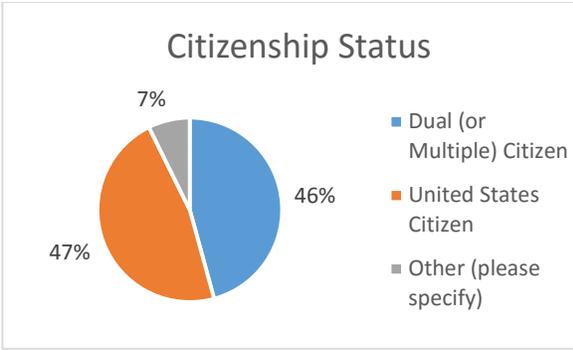
*Notes: The dependent variables are the responses from 1 (completely disagree) to 5 (completely agree) for each of the survey questions; explanatory variables are dummy variables for gender (set as 1 for female respondents and zero otherwise) and age groups (set as 1 for the respective group and zero otherwise); time lived abroad is measured in years; \*, \*\*, and \*\*\* indicate significance at the .1; .05; and .01 level respectively.*



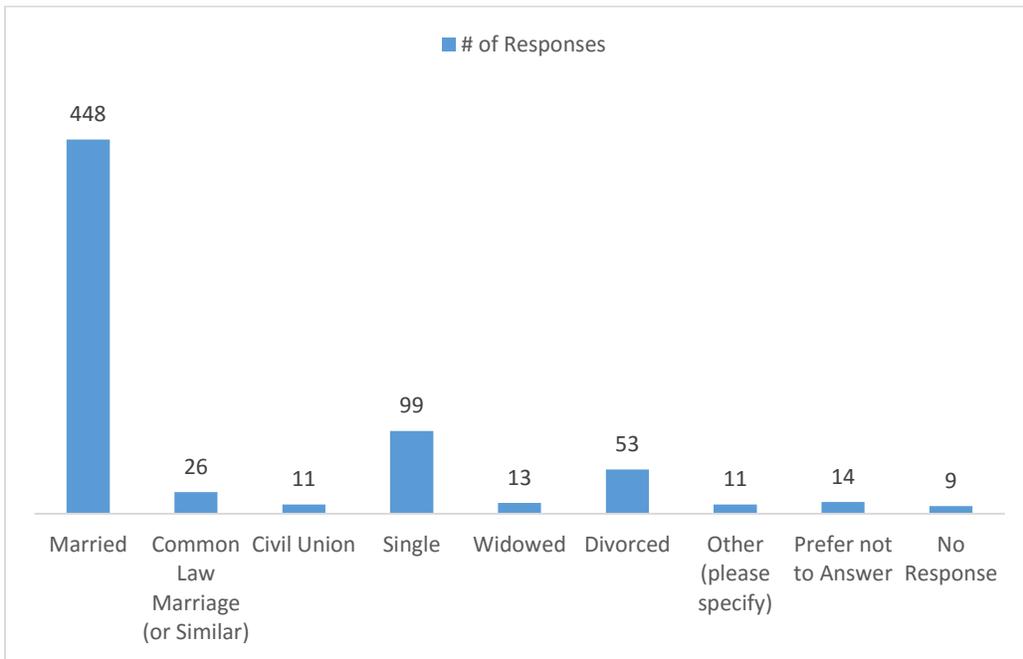
**Figure 1. Respondents' Country of Residence**



**Figure 2. Respondents' Age Ranges**



**Figure 3. Respondents' Citizenship Status and Gender**



**Figure 4. Respondents' Marital Status**

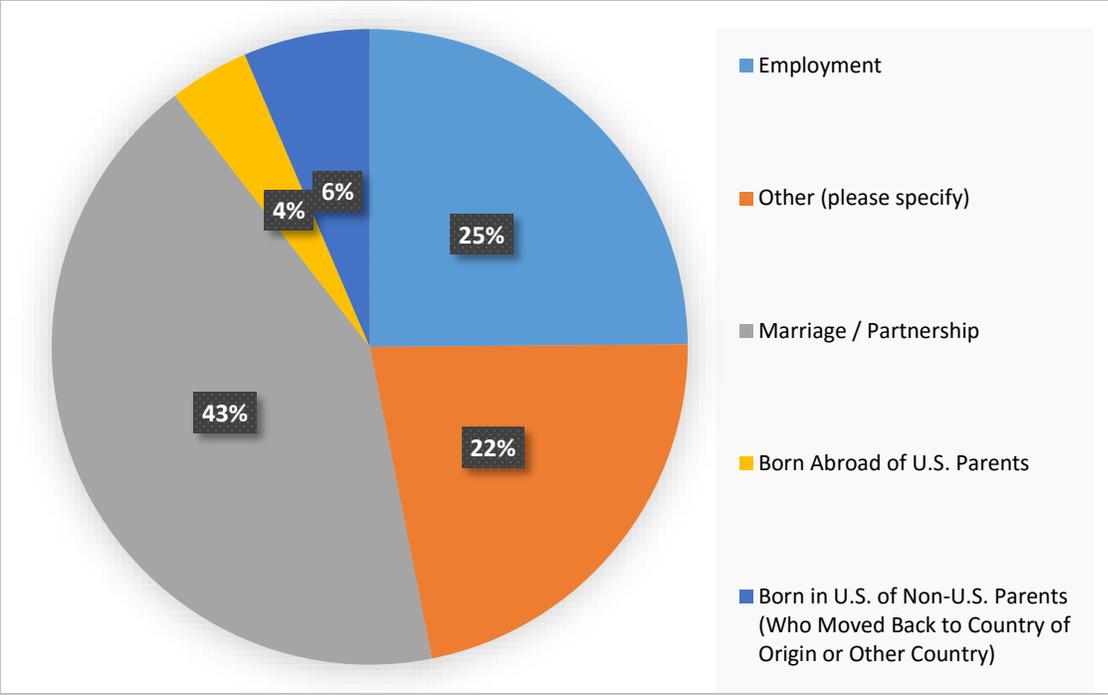


Figure 5. Reasons for Living Abroad

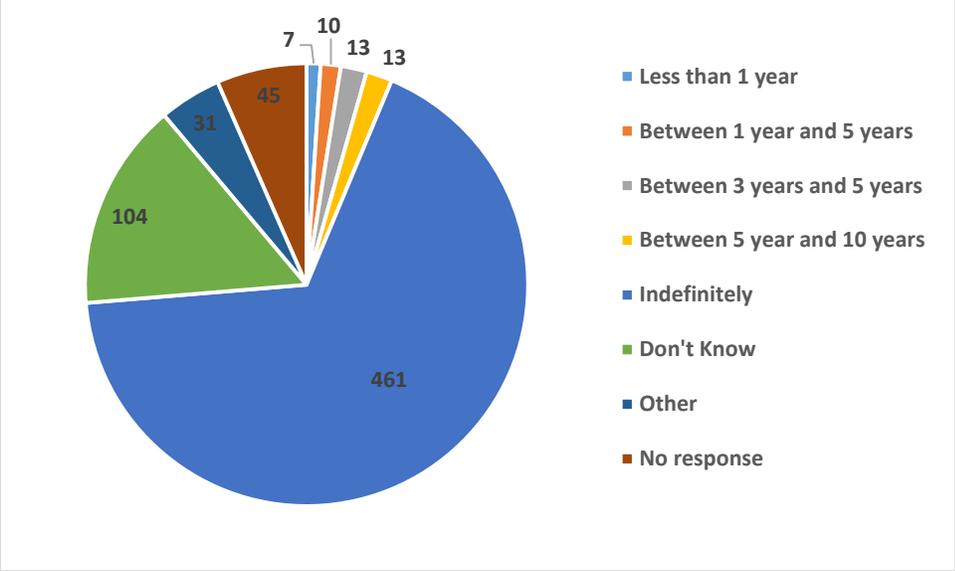
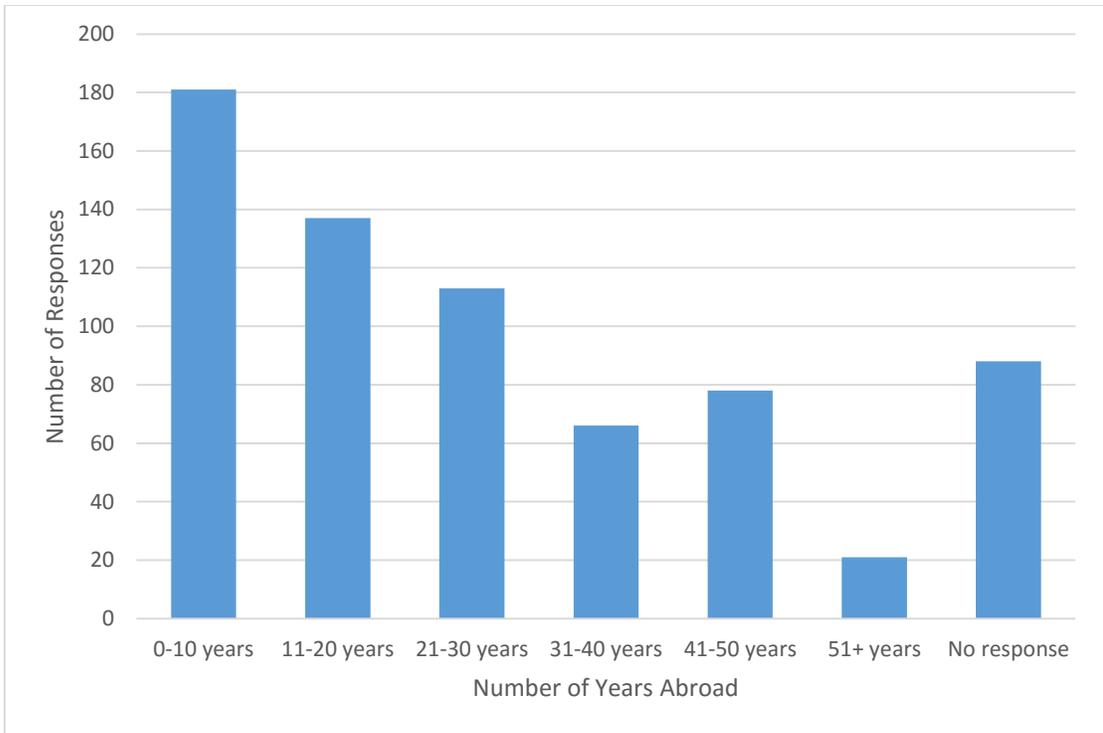


Figure 6. Respondents' Planned Duration for Living Abroad



**Figure 7. Respondents' Length of Time Lived Abroad**

## Appendix A. Survey Instrument

### *Demographic Information*

- Q1. What is Your Citizenship Status?
- Q2. What is Your Gender?
- Q3. What is Your Age?
- Q4. What is Your Marital Status?

### *Residency, Employment*

- Q5. What is Your Country of Residence?
- Q6. In What State or U.S. Territory Are You Currently Registered to Vote?
- Q7. What is the Nationality of Your Spouse/Domestic Partner?
- Q8. What is Your Employment Situation? (Self-Employed, Employee of a Local Company, Employee of a Local Branch or Subsidiary of a U.S. Company, Employee of a non-U.S. International Company, Employee of an International Organization, Employee of a National or Local Government in the Country of Residence, Not Employed, Student, Retired, Disabled/Unable to Work, Employee of U.S. Government or Military, Employee of U.S. Non-Profit Organization, Employee of Religious Order or Organization, Other (please specify))
- Q9. Primary Reason for Living Abroad
- Q10. Since What Year Have You Been Living Abroad?
- Q11. How Long Do You Plan on Living Abroad?
- Q12. Do You Plan to Retire Abroad?

### *Voting Behavior and Intentions*

- Q13. Did You Vote in the 2014 Mid-term Elections?
- Q14. Did You Vote in the 2012 Presidential Elections?
- Q15. Are you Planning on Voting in the 2016 Presidential Elections?
- Q16. Do You Generally Vote in Your Country of Residence?

### *U.S. Taxes for U.S. Citizens Living Abroad*

- Q17. How Much Do You Agree With each of the Following Statements (1 = strongly disagree; 2 = disagree; 3 = neutral; 4 = agree; 5 = strongly agree)?
- U.S. Tax Law is more complicated than the tax law in my country of residence.
  - Having to comply with the U.S. tax law puts me (my business) at a disadvantage compared to other people working in my country of residence.
  - The U.S. tax law has gotten more complicated in recent years.
  - The IRS (U.S. Government) is doing a good job at keeping me informed about how to comply with the U.S. Tax Law.
  - What other issues come to your mind when thinking about the current U.S. tax rules for U.S. citizens living abroad?
- Q18. Approximately How Long does it Take You to Comply with U.S. Tax Law (Average Hours Spent Annually)?
- Q19. Approximately How Much does it Cost You to Comply with U.S. Tax Law (Average Amount in U.S. Dollars Spent Annually)?

### *Tax Evasion*

- Q20. How Much Do You Agree With each of the Following Statements (1 = strongly disagree; 2 = disagree; 3 = neutral; 4 = agree; 5 = strongly agree)?
- Tax evasion is a big problem in the United States.
  - The United States should combat tax evasion.

- The Internal Revenue Service (IRS) has the necessary tools in place to combat tax evasion.
- There needs to be more tax evasion legislation in the United States.
- Tax evasion is a big problem in my country of residence.
- My country of residence is doing enough to combat tax evasion.
- What other issues come to your mind when thinking about tax evasion in the United States or your country of residence?

*The Foreign Account Tax Compliance Act (FATCA)*

Q21. How Much Do You Agree With each of the Following Statements (1 = strongly disagree; 2 = disagree; 3 = neutral; 4 = agree; 5 = strongly agree)?

- FATCA will impact me and/or my family.
- FATCA impacts American businesses in my country of residence.
- FATCA affects how people think of the United States.
- People in my country of residence generally do not like FATCA.
- FATCA had an impact on my vote in the most recent elections.
- FATCA will impact my vote in the next elections.
- FATCA does not affect me.
- FATCA has increased the complexity of my tax returns.
- FATCA has put me at a disadvantage compared to other people living in my country of residence.
- I believe FATCA is necessary to prevent tax frauds.
- FATCA needs to be reworked to allow Americans overseas access to banking services.
- FATCA should include a "Same Country Exemption" (i.e., no reporting requirements for accounts held in the country of residence).
- Please add any other comments you have with regard to FATCA and its impact on U.S. citizens living abroad.

Q22. Was Your Bank Account Closed or Were You Unable to Open a Bank Account Because of the Foreign Account Tax Compliance Act (FATCA)?

Q23. If so, what Kind of Account Was Closed (or Could Not Be Opened)? (Checking, Savings, Investment, Mortgage, Line of Credit, Insurance, Pension, Other (please specify))

Q24. What Financial Institutions Closed Your Account or Did Not Allow You to Open an Account?

Q25. Did You Lose or Were You Denied a Business (Employment) Opportunity Due to the Foreign Account Tax Compliance Act (FATCA)?

Q26. How Much Do You Estimate the Foreign Account Tax Compliance Act (FATCA) Will Cost You? Note: This could range from loss of business opportunities to more time spent on understanding the law, etc. (Quantify this as best as you can; but feel free to expand on issues that cannot be monetized.)

Q27. What is Your Accountant's / Tax Preparer's estimated Additional Compliance Cost Due to the Foreign Account Tax Compliance Act (FATCA)?

Q28. Did You Incur Any Penalties Due to Non-Compliance with the Foreign Account Tax Compliance Act (FATCA)?

Q29. How Much Do You Agree With the Following Statements?

- I am very informed about the "Foreign Account Tax Compliance Act" (FATCA) reporting requirements.
- I am very informed about the penalties imposed for non-compliance.
- I am very informed about the "Report of Foreign Bank and Financial Accounts" (FBAR) requirements.
- I am very informed about the penalties imposed for non-compliance.

- If you have any other comments about FATCA and FBAR reporting requirements and penalties for non-compliance, please enter them below.

Q30. In Your Opinion, What Were the Reasons for the Implementation of the Foreign Account Tax Compliance Act (FATCA)? (Check All That Apply)

- Prevent Tax Fraud
- Introduce Transparency
- Catch Tax Evaders
- Make Foreign Financial Institutions Disclose Account Holders
- Collect Information on U.S. Citizens Living Abroad
- Assist U.S. Tax Authorities
- Collect Information on Foreign Accounts
- Other (please specify)

Q31. What is Your Annual Household Income?

Q32. Estimated U.S. Dollar Value of Your Foreign Financial Account Holdings in Your Country of Residence

Q33. In Addition to Financial Accounts in Your Country of Residence, Do You Have Signature Authority Over Accounts in Other Countries?

Q34. Do You Have Any of the Following U.S. Based Financial Accounts? (Checking, Savings, Investment/Broker, Retirement Savings, Prefer not to answer, Other (please specify))

Q35. Is There Anything Else on Which You Would Like to Elaborate With Regard to FATCA, FBAR, Foreign Tax Reporting, and U.S. Tax Compliance in General?

Q36. Would you be willing to discuss some of these issues further? If so, please contact XXX.