JASON CHAFFETZ, UTAH
CHAIRMAN

ONE HUNDRED FIFTEENTH CONGRESS

ELIJAH E. CUMMINGS, MARYLAND
RANKING MINORITY MEMBER

Congress of the United States
House of Representatives
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
2157 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515–6143

MAJORITY (202) 225–5074
MINORITY (202) 225–5051
http://oversight.house.gov

Opening Statement
Ranking Member Gerald E. Connolly
Subcommittee on Government Operations
Hearing on "Reviewing the Unintended Consequences of the Foreign Account Tax Compliance Act"
April 26, 2017

Thank you, Mr. Chairman, for holding this hearing to review one of the ways the government collects its revenue.

The United States taxes the foreign income of its citizens. It is not alone—the majority of countries with income taxes do as well. Citizens pay taxes on all of the income they earn, regardless of where they earned it.

There are benefits to this system. Americans are the most productive in the world, and this system ensures that the wealthiest among us cannot avoid paying taxes simply by moving money abroad.

It's quite simple; if you receive benefits by being an American, you should pay your fair share.

This tax system assumes everyone plays by the rules and pays their taxes according to the law.

Unfortunately, not everyone played the game fairly in the past. While the law has for decades required offshore account holders to file reports with the Treasury Department, not everyone did. Extremely wealthy tax cheats hired expensive lawyers who knew how to evade the system.

Whistleblower leaks changed everything. Congress learned of thousands of Americans avoiding paying taxes on overseas income without disclosing the information to the IRS. These weren't simply inadvertent mistakes—they were willful efforts to avoid paying taxes.

Congress had to take action. That action came in the form of the Foreign Account Tax Compliance Act (FATCA).

Under FATCA, foreign financial institutions are required to disclose to the IRS the accounts of U.S. taxpayers. The Wall Street Journal reported that an IRS limited amnesty program brought in $9.9 billion in taxes, interest, and penalties from 55,000 taxpayers who hadn't paid taxes on income earned abroad.

FATCA is merely an incremental step in terms of tax collection. U.S. companies and financial institutions already provide taxpayer information to the U.S. government through 1099 tax forms, and taxpayers with assets abroad file with the IRS the same information FATCA collects. Now, that information is also coming from foreign financial institutions, since many taxpayers were previously not filing and breaking the law.

Despite the new law, banks are still lending, and it is possible for Americans to get accounts. Citigroup, for example, operates in more than 160 countries, and will give Americans abroad bank accounts and mortgages.

Now, thanks to FATCA, international tax collection has changed. Countries around the world are adopting the Common Reporting Standard, which is based on FATCA. Under the Common Reporting Standard, countries collect identifying information from account holders. They then share that information with a foreign account holder's country of citizenship, and receive information on the accounts of their own citizens. The information collected under the Common Reporting Standard is broader than that required by FATCA.

Common Reporting Standard countries collect information on *all* account holders, not just U.S. citizens. With 100 countries committing to implement the Standard by 2018, efforts to evade taxes will diminish around the world.

I don't mean to say that there haven't been problems with FATCA. As with every piece of legislation, there were kinks to work out, and they have been. My heart goes out to Ms. Nelson, Mr. Kuettel, and all other Americans who have been deeply, deeply affected by the actions of foreign banks.

However, repealing FATCA entirely would not restore their coveted citizenship, but it would harm the government's ability to collect revenue it is owed, and would simply be a giveaway to the wealthiest of Americans determined to avoid paying their fair share of taxes.

I thank the witnesses for their testimony today, and I look forward to hearing more about how we can improve FATCA.

Contact: Jennifer Werner, Communications Director, (202) 226-5181