

Business

U.S. Citizens in France Win 7-Year Fight With the IRS

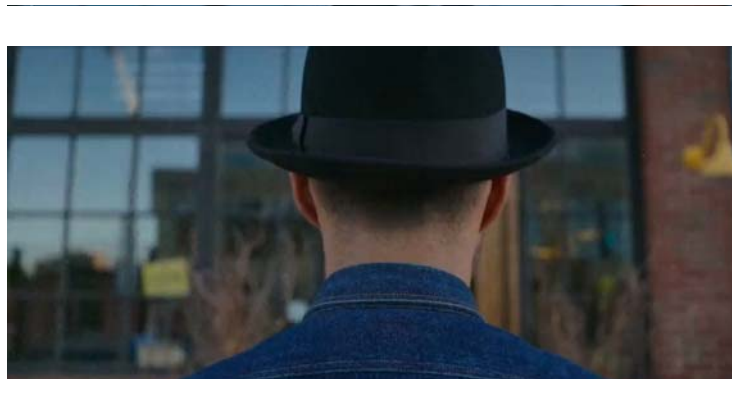
By [Gregory Viscusi](#)

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- ▶ IRS finally agrees that CSG is tax, not a social charge
 - ▶ U.S. filing ends 7-year legal battle, could cost 'millions'
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The U.S. government will stop contesting a tax deduction sought by Americans living in France, according to a law firm involved in a seven-year legal battle over the levy.

The Internal Revenue Service said in court filings last week that it should have allowed U.S. taxpayers resident in France to deduct so-called Generalized Social Contribution taxes, a levy imposed on income in France, said Stuart Horwich, a U.S. lawyer at Horwich Law in London. He estimated that roughly \$100 million could be at stake and some people could seek refunds dating back 10 years.



In a June 13 status report, the IRS said it “no longer asserts that petitioners are precluded from claiming the foreign tax credits at issue in this case.” The U.S. agency had argued that the CSG was a social charge rather than a tax.

The ruling could lead to “millions of dollars” in refunds, said Fabien Lehagre, founder of the Association of Accidental Americans, which defends the rights of French citizens who must pay U.S. taxes because they were born in the U.S. or have an American parent.

The case, *Ory and Linda Eshel v. Commissioner of Internal Revenue* in U.S. Tax Court, grew out of an audit of the 2008 and 2009 tax returns of the Eshels, U.S. citizens who reside in France.

U.S. citizens abroad are liable for American taxes, but can deduct what they’d paid in local taxes, but not social charges. The Tax Court initially ruled in 2014 that CSG were non-deductible social charges. The Court of Appeals for the District of Columbia reversed that decision in 2016 and sent the case back to Tax Court.

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