



ASSOCIATION OF
CROATIAN AMERICAN
PROFESSIONALS

UDRUŽENJE
HRVATSKO - AMERIČKIH
STRUČNJAKA

June 16, 2016

Embassy of the Republic of Croatia in the USA
2343 Massachusetts Ave., NW
Washington DC 20008-2803
Attn.: Mr. Zoran Konstantinovic, Senior Economic Advisor

**Re: NFCA, CroAmPro, and CroAmBar
Letter in Support of US-Croatia Tax Treaty**

Dear Mr. Konstantinovic:

The National Federation of Croatian Americans Cultural Foundation (NFCA), the Association of Croatian American Professionals (CroAmPro), and the Croatian American Bar Association (CroAmBar) are writing to you in support of a Double Taxation Treaty (DTT) between the United States and the Republic of Croatia.

Each of our respective organizations remains deeply concerned about both the lack of a DTT and the lack of any significant progress towards entering into a DTT. Our specific concerns are as follows:

- Croatia is the only European Union member state that does not have a DTT with the United States.
- The lack of a DTT between the United States and Croatia is stifling cross-border business and investment activity between the two nations and the associated tax revenues of two nations.

- Croatian Americans and other Americans maintaining connections to Croatia are bearing an untenable double taxation burden.

Croatia is the only EU member state that does not have a DTT with the United States

It is unacceptable that Croatia is the only European Union member state that does not have a DTT with the United States. This is particularly disconcerting when considering that the United States trade volume with Croatia exceeds its trade volume (in some cases, by substantial margins) with EU member states Bulgaria, Cyprus, Estonia, Latvia and Malta, notwithstanding Croatia's relatively recent admission into the EU. In addition, compared to worldwide non-EU countries that have a DTT with the United States, the US-Croatia trade volume dwarfs the trade volume of many of such countries. Having a DTT in effect between the United States and Croatia would allow the trade volume between the two nations to rise dramatically.

The lack of a DTT between the United States and Croatia is stifling cross-border business and investment activity between the two nations and the associated tax revenues

For U.S. companies wishing to invest in Croatia, the cost of double taxation is an albatross on their efforts to expand their Croatian business interests. The costs entail not only the additional tax burden, but also the further compliance burden of maintaining filings in both nations for the same business activity. Many such U.S. companies are unwilling to assume these added costs and instead choose to direct their business activity to countries that have a tax treaty with the United States.

Although U.S. business and individual taxpayers are eligible for a foreign tax credit to offset their U.S. tax with any Croatian taxes paid, such foreign tax credits rarely provide a 'dollar-for-dollar' offset. If, however, a DTT were in place, then many such U.S. taxpayers may be eligible to pay only the U.S. tax. The benefits of this are exponential: (1) the tax burdens of U.S. businesses would be substantially reduced, resulting in increased U.S.-Croatia trade volume and overall investment of U.S. businesses in Croatia; and (2) such increased business and investment volume would generate substantially greater U.S. tax revenues, as the greater volume would lead to higher taxable income levels, while the reduction or exemption of Croatian taxes for such U.S. taxpayers would eliminate the need for foreign tax credits that greatly reduce overall U.S. tax revenues.

Another important benefit of having a DTT is that it would promote economic growth in Croatia, thus fostering regional stability. U.S. Secretary of State John Kerry recently spoke with Republic of Croatia Foreign Minister Miro Kovac and the Secretary underscored the U.S. commitment to work with Croatia on such stability and exchanged views with Foreign Minister Kovac on Croatia's future as a regional energy hub. A DTT would be critical to the achievement of such goals.

Croatian Americans and other Americans maintaining connections to Croatia are bearing an untenable double taxation burden.

As an umbrella organization, whose members include the Croatian Fraternal Union with close to 100,000 members, the NFCA is especially cognizant of the negative effects the lack of a DTT has not only on potential American investments in Croatia but also on the numerous Croatian Americans who maintain ties to, have property in or have decided to reside for all or part of a year in Croatia. In addition to these Croatian Americans, many Americans without ethnic ties to Croatia have become enamored with the beauty of the country and are purchasing real estate in Croatia for vacation and/or retirement homes.

Croatia has become an increasingly attractive option for many people as a retirement location, whether on a full or part-time basis. Many of the NFCA's supporters have told us about family members or friends who have decided to take the opportunity to return to their native country or that of their ancestors after their retirement. It will probably come as an unexpected shock to them knowing that they are liable to double taxation.

Double taxation of income of retirees will no doubt have a devastating impact given that the rate generally imposed by the Croatian tax law is a fixed percentage, which has a disproportionate adverse effect on individuals receiving low, fixed incomes.

Moreover, it is our understanding that Croatian law determines taxable residence status not only by virtue of actual partial or full-time residence in the country but also, potentially, through ownership of real property. This could affect hundreds of thousands of Croatian Americans who have no other connection to Croatia other than ownership portions of houses that they may have inherited from their parents or grandparents.

Our concerns are further increased by the possibility that courts or governmental authorities in the United States and Croatia could issue contradictory rulings on individual and business tax cases. Thus, the lack of a DTT not only could lead to negative economic consequences for Croatian Americans but also exposes them to potentially complicated and expensive court and regulatory proceedings in two different countries.

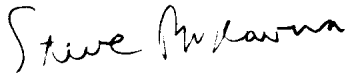
We urge that both the Republic of Croatia and the United States quickly enter into a DTT, which will be beneficial to both nations as well as to affected Croatian Americans and U.S. companies that do business or wish to do business in Croatia.

Sincerely,

National Federation of Croatian Americans

Association of Croatian American Professionals

Croatian American Bar Association



By: _____
Steven Rukavina,
President



By: _____
Marko Zoretic,
President



By: _____
Mauro Viskovic,
President



About the National Federation of Croatian Americans (NFCA)

The NFCA is a non-profit 501(c)(3) organization dedicated to promoting the interest of the Croatian people - embodying heritage of culture and language, integrity in human rights and equality in self-determination, advancing economic development, and freedom from persecution. It is the national umbrella organization established in 1993 for Croatian Americans, related professional associations, and the many fraternal lodges that collectively represent approximately 90,000 members. For more information, please visit <http://www.nfcacf.org>.



About the Association of Croatian American Professionals (CroAmPro)

CroAmPro is an association of professionals of Croatian descent in the United States, and around the world, interested in building a lifetime of professional connections to support the business, networking, and social activities of our members. For more information, please visit www.CroAmPro.com.



About the Croatian American Bar Association (CroAmBar)

CroAmBar is an association of Croatian-American lawyers and Croatian lawyers from around the world. For more information, please visit www.CroatianAmericanBar.com.