

DODEA Teacher Faces \$150,000 Tax Bill

While U.S. Secretary of State Antony Blinken and his German counterpart toasted improved relations between their countries over beers in Berlin last month, U.S. military school teacher Sierra Eberhardt was contemplating financial ruin at the hands of local German tax collectors. “I’m just kind of fighting this on my own,” said Eberhardt, a teacher at Vogelweh Elementary in Kaiserslautern, who was recently forced to pay tens of thousands of dollars in German income tax and faces additional bills despite a military treaty designed to put her pay — which is also taxed by U.S. authorities — off limits.

Nearly one year after the U.S. government lodged a formal complaint with Germany over efforts by its local finance offices to impose tax penalties on scores of Defense Department civilians and service members, Eberhardt and hundreds of others remain targets. The situation got the attention of Defense Secretary Lloyd Austin, who during a 30 June 2021 meeting at the Pentagon raised the issue directly with German Defense Minister Annegret Kramp-Karrenbauer. “Secretary Austin conveyed his gratitude for Minister Kramp-Karrenbauer’s personal engagement on the issue and requested her continued involvement to resolve the issue,” Lt. Col. Anton Semelroth, a Pentagon spokesman, said in a statement last week. “Secretary Austin expressed the United States’ eagerness to see the long-standing issue resolved.”

The financial toll for those snared in the German tax system has been devastating: bills reaching into six figure sums, threats of imprisonment, frozen bank accounts and court battles. The U.S. contends the situation amounts to a treaty violation, but so far American officials have been powerless to stop it. It’s been happening for years, even while U.S. taxpayer dollars inject billions annually into the German economy through the military community’s spending. But despite U.S. objections, and even indications from Foreign Minister Heiko Maas and other senior German officials that they want the matter resolved, the situation is at a standstill. It’s unclear what authority the federal German government has over localities or how it could force tax officials at the state level to back off.

The U.S. Embassy in Germany, which is leading negotiations with the German government, said it couldn’t get into details about the current state of play. “While we do not comment on diplomatic exchanges, the Embassy and the military commands are aware of this long-standing issue and working closely in concert to address what we believe to be a misinterpretation of the NATO Status of Forces Agreement,” said Scott Robinson, a U.S. Embassy spokesman in Berlin. “The Department of Defense and Department of State are engaged to try and reach a resolution.” At issue is a dispute over how the agreement should be interpreted.

In Germany, unlike any other allied country where U.S. forces are based around the world, troops and civilian personnel are exposed to liabilities if local tax offices decide that a military member has motives for being in the country beyond just their job. Last year, there were nearly 400 cases involving SOFA status personnel in the greater Kaiserslautern area alone, tax officials said at the time. They included Air Force Master Sgt. Matthew Larsen, who was targeted for extending a tour and being married to a German woman. Being a teacher at a U.S. base school

for long periods of time or sending kids to a German school also have put people on the tax collector's radar.

In the United Kingdom, Italy, Japan and South Korea, all countries that host large numbers of service members, DOD personnel routinely marry locals or have extended tours without threat of income taxation, according to commands that oversee SOFA matters in those countries. The Pentagon, which is now reviewing its force posture around the world, including in Germany, declined to say if the tax risk troops face would factor into decisions on how to adjust where service members are stationed. "The Department considers a wide range of factors in reviewing and providing recommendations to the Secretary of Defense on U.S. overseas force posture," Semelroth said. "As the Global Posture Review is still ongoing, we have no additional details on specific criteria being used to assess U.S. force posture in a particular country or region."

The lack of progress with Germany on the tax issue has caused exasperation among many U.S. military personnel who say they have been left to fend off increasingly aggressive collection efforts on their own. They contend that tax officials have become emboldened after facing little pushback from the U.S. government when the first cases emerged in previous years. "Personally, I continue to be outraged at our government's silence," said Mike Goff, an Air Force retiree in Germany who has become an advocate for military personnel in the country. "I don't expect an update on where this is or when the last communiqué was sent, but give us something to show you give a damn that our very own NATO ally continues to ignore the issue as Americans are still paying ill-gotten tax money."

Most of the cases center around the Ramstein Air Base area, the major hub for U.S. personnel in Germany. But DOD staff in other places, including U.S. Army Europe and Africa's headquarters home in Wiesbaden, have been affected. For Eberhardt, who lives in Kaiserslautern, the first bill she received was for 76,000 euros, or about \$90,000, in back taxes for the years 2013-2018. As a federal employee, Eberhardt already pays U.S. income tax on her salary.

Eberhardt said she paid the back taxes after she and her husband, a German, faced threats of criminal charges, imprisonment and frozen bank accounts. In May, she received a bill for nearly 50,000 euros in additional penalties. "I have no idea how we are going to pay it," she said. Eberhardt said it wasn't clear how authorities came up with such a high sum. "They told me they can charge 13,000 euros off the bat just for possessing a (military) ID card because of the tax benefits related to it," she said.

While sending a child to a German school has been cited as one of the factors that could cause tax collectors to decide that a military member is in Germany for reasons other than their job, Eberhardt said German finance officials told her she was fortunate that she had her kids in German school. "They told me that it's good because if they were in the American school it is considered a tax privilege. Then they would have charged us more," Eberhardt said.

The tax penalties, adding up to roughly 126,000 euros, equivalent to almost \$150,000. Eberhardt said she also is required to pay 3,000 euros every three months on her teacher's salary just to stay up to date on annual German taxes. Eberhardt said she is hoping to get a green card for her husband so they can leave the country. Still, that doesn't mean escape from the German tax

collectors. Tax advisers have told Stars and Stripes that the German revenue service is known to pursue military personnel long after they've left the country.

While former President Donald Trump had a tense relationship with Germany, particularly when it came to Berlin's defense spending, President Joe Biden has taken a more diplomatic approach. Whether that will pay dividends on the tax matter, or how much effort the administration is willing to put into solving it, isn't yet clear. For Maas, the change in tone out of Washington was cause for celebration when he hosted Blinken. But neither he nor Blinken mentioned the tax matter in their public remarks at a beer garden in Berlin, where Maas talked up his eagerness for better cooperation. "We have so many things in common," Maas said. "And I think there is such a great degree of readiness and willingness on both sides of the Atlantic to cooperate. So, I look forward to that."