Dear Ambassador Tai, Secretary Yellen, and Ms. Chargé d’Affaires ad interim:

We write as Members of the Ways and Means Committee to express our disapproval of Canada’s decision to move forward with a digital services tax (DST) that, if imposed, would seriously harm American companies and workers. Despite nearly all 140 economies participating in the Organization for Economic Cooperation and Development’s (OECD) work to reach agreement on updated international tax rules approving a one-year extension of the moratorium on DSTs through December 31, 2024, we are disappointed that Canada is unfortunately moving against this global consensus with a punitive DST scheduled to take effect next year.

We urge you to impress upon your counterparts in Canada that its unilateral approach is discriminatory and, if enacted, could face significant consequences.

The proposed three percent DST included in Canada’s budget would apply retroactively to January 1, 2022. Canada’s unusually aggressive and discriminatory approach would target U.S. companies and workers who would disproportionally bear the burden of this new tax. Further, Canada’s approach raises serious questions about its obligations under the United States-Mexico-Canada Agreement and the World Trade Organization Agreement.

We echo the Biden administration’s message that Canada should drop its proposed tax, along with the warning that the United States “would examine all options, including under our trade agreements and domestic statutes,” if Canada does not change course. Given our prolific trading relationship with Canada, its retroactive DST proposal would be especially damaging to U.S. industry and workers. Therefore, we strongly encourage the Biden administration to work with Congress on action to safeguard our economy and challenge these unfair practices, including through our trade agreements and domestic trade statutes.

The Biden administration pushed to extend the moratorium on DSTs to allow more time for negotiations on a multilateral convention addressing the establishment of taxing rights for market jurisdictions. If Canada chooses to proceed with its DST despite this moratorium, that choice would be risky and may damage bilateral relations with its largest trading partner. The decision by nearly all economies participating in the OECD’s two-pillar process to extend the moratorium reflects a broad international consensus that unilateral DSTs are counterproductive.

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Accordingly, we ask in our oversight capacity as members of the Ways and Means Committee that you provide us an update by October 3, 2023 on your efforts to ensure Canada does not enact a DST or any other discriminatory unilateral measure.

Sincerely,

Bill Pascrell, Jr.
Member of Congress

Beth Van Duyne
Member of Congress

Suzan K. DelBene
Member of Congress

Darin LaHood
Member of Congress

Mike Thompson
Member of Congress

Vern Buchanan
Member of Congress

John B. Larson
Member of Congress

Adrian Smith
Member of Congress

Earl Blumenauer
Member of Congress

Mike Kelly
Member of Congress
Members of Congress:

- Jimmy Gomez
- Brian Fitzpatrick
- Stacey E. Plaskett
- W. Gregory Steube
- Claudia Tenney
- Michelle Fischbach
- Blake D. Moore
- Michelle Steel
- Randy Feenstra
- Nicole Malliotakis
Mike Carey
Member of Congress