

# Congress of the United States

Washington, DC 20515

September 19, 2023

The Honorable Katherine Tai  
United States Trade Representative  
600 17<sup>th</sup> Street NW  
Washington, DC 20508

The Honorable Janet Yellen  
Secretary  
Department of the Treasury  
1500 Pennsylvania Avenue NW  
Washington, DC 20220

Ms. Karen Enstrom  
Chargé d'Affaires ad interim of the  
United States of America to the  
Organization for Economic  
Cooperation & Development  
12 Avenue Raphael  
75016 Paris, France

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,<sup>1</sup> we are disappointed that Canada is unfortunately moving against this global consensus with a punitive DST scheduled to take effect next year.<sup>2</sup> 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 disproportionately 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.

---

<sup>1</sup> <https://www.oecd.org/tax/beps/outcome-statement-on-the-two-pillar-solution-to-address-the-tax-challenges-arising-from-the-digitalisation-of-the-economy-july-2023.pdf>

<sup>2</sup> <https://insidetrade.com/daily-news/most-oecd-countries-extend-digital-tax-moratorium-canada-demurs>

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.

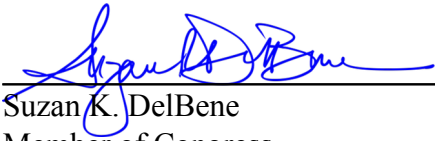
Sincerely,



Bill Pascrell, Jr.  
Member of Congress



Beth Van Duyne  
Member of Congress



Suzan K. DelBene  
Member of Congress



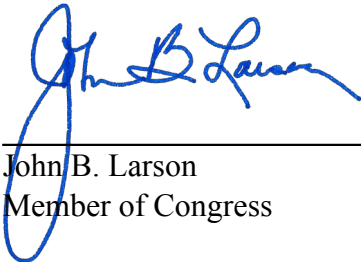
Darin LaHood  
Member of Congress



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

Danny K. Davis

Danny K. Davis  
Member of Congress

David Schweikert

David Schweikert  
Member of Congress

Linda T. Sánchez

Linda T. Sánchez  
Member of Congress

Brad R. Wenstrup

Brad R. Wenstrup, D.P.M.  
Member of Congress

Terri A. Sewell

Terri A. Sewell  
Member of Congress

Jodey C. Arrington

Jodey C. Arrington  
Member of Congress

Judy Chu

Judy Chu  
Member of Congress

A. Drew Ferguson IV

A. Drew Ferguson IV  
Member of Congress

Daniel T. Kildee

Daniel T. Kildee  
Member of Congress

Ron Estes

Ron Estes  
Member of Congress




---

Donald S. Beyer Jr.  
Member of Congress




---

Lloyd Smucker  
Member of Congress



---

Dwight Evans  
Member of Congress



---

Kevin Hern  
Member of Congress



---

Bradley Scott Schneider  
Member of Congress



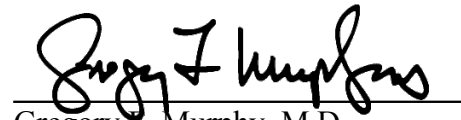
---

Carol D. Miller  
Member of Congress



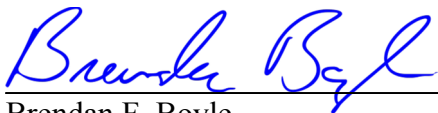
---

Jimmy Panetta  
Member of Congress



---

Gregory F. Murphy, M.D.  
Member of Congress



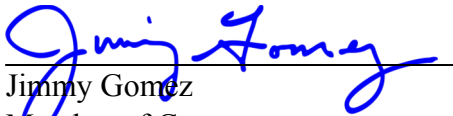
---

Brendan F. Boyle  
Member of Congress




---


David Kustoff  
Member of Congress


  
Jimmy Gomez  
Member of Congress

  
Brian Fitzpatrick  
Member of Congress


  
Stacey E. Plaskett  
Member of Congress


  
W. Gregory Steube  
Member of Congress

  
Claudia Tenney  
Member of Congress

  
Michelle Fischbach  
Member of Congress

  
Blake D. Moore  
Member of Congress

  
Michelle Steel  
Member of Congress

  
Randy Feenstra  
Member of Congress

  
Nicole Malliotakis  
Member of Congress

A handwritten signature in black ink, appearing to read 'Mike Carey', written over a horizontal line.

Mike Carey  
Member of Congress