

Congress of the United States

Washington, DC 20515

September 19, 2023

The Honorable Katherine Tai
United States Trade Representative
600 17th 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, 2024,¹ we are disappointed that Canada is unfortunately moving against this global consensus with a punitive DST scheduled to take effect next year.² 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.

¹ <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>

² <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.

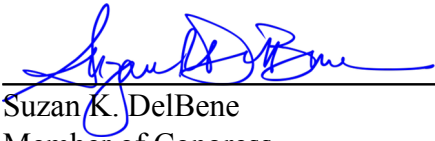
Sincerely,



Bill Pascrell, Jr.
Member of Congress



Beth Van Duyne
Member of Congress



Suzan K. DelBene
Member of Congress



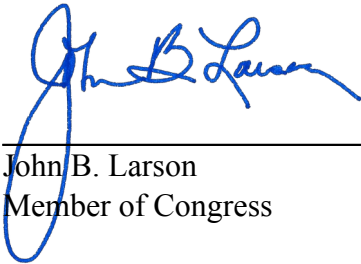
Darin LaHood
Member of Congress



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



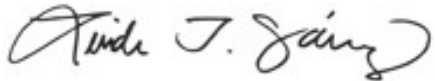
Mike Kelly
Member of Congress



Danny K. Davis
Member of Congress



David Schweikert
Member of Congress



Linda T. Sánchez
Member of Congress



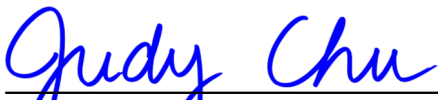
Brad R. Wenstrup, D.P.M.
Member of Congress



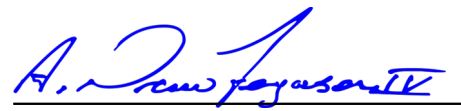
Terri A. Sewell
Member of Congress



Jodey C. Arrington
Member of Congress



Judy Chu
Member of Congress



A. Drew Ferguson IV
Member of Congress



Daniel T. Kildee
Member of Congress




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



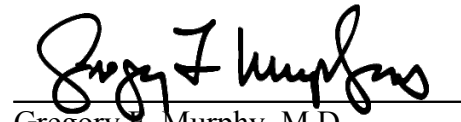
Bradley Scott Schneider
Member of Congress



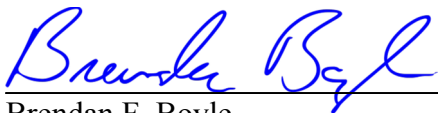
Carol D. Miller
Member of Congress



Jimmy Panetta
Member of Congress



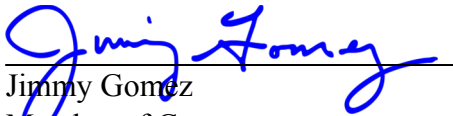
Gregory F. Murphy, M.D.
Member of Congress



Brendan F. Boyle
Member of Congress





David Kustoff
Member of Congress



Jimmy Gomez
Member of Congress


Brian Fitzpatrick
Member of Congress

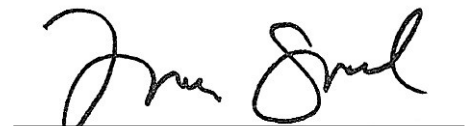

Stacey E. Plaskett
Member of Congress



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