



U.S. House of Representatives

COMMITTEE ON WAYS AND MEANS
1139 LONGWORTH HOUSE OFFICE BUILDING
Washington, DC 20515

July 11, 2024

Ambassador Katherine Tai
United States Trade Representative
600 17th Street NW
Washington, D.C. 20508

Dear Ambassador Tai,

We call on the Biden Administration to deliver a quick and decisive response to Canada's decision to move forward with a discriminatory digital services tax (DST). The United States cannot permit trading partners to levy taxes that uniquely target our firms and workers. It is time for this Administration to make clear that the United States will defend our interests by immediately initiating an investigation of Canada's DST under Section 301 of the Trade Act of 1974.

Canada's decision to unfairly target U.S. companies runs counter to our substantial bilateral economic, diplomatic, and security relationship. We appreciate your past attention to this issue and desire to "*examine all options*" should Canada continue to pursue its DST. Given Canada's decision to enact its DST on June 19, despite significant U.S. concerns expressed by Congress, USTR, and the Treasury Department, the time has come to make clear to Canada's political leadership that the United States is done examining options and will act decisively to protect American workers, small businesses, and innovators.

We support continued engagement with the Government of Canada regarding DST implementation. To date, however, talks have been ineffective and Canada has not changed course at all. We strongly urge you to make clear that unilateral and discriminatory DSTs are unacceptable and immediately initiate an investigation under Section 301. A weak response from the Biden Administration will harm American interests, lead to a proliferation of similar measures, and allow Chinese companies to gain a foothold in the markets of our closest trading partners.

As you know, Section 301 gives USTR ample authority to take action against unreasonable or discriminatory acts that burden or restrict U.S. commerce. In fact, thanks to aggressive action by the prior administration, between 2019 and 2021, USTR investigated the harmful DSTs implemented by other countries, creating a path for USTR to respond quickly in this instance. Without swift action, the United States will not be ready to immediately retaliate when Canada's discriminatory DST is applied. This is especially concerning because of the potential retroactive application of the DST.


At the same time that you proceed with a prompt Section 301 investigation, we also expect you to fully exercise U.S. recourse under the United States-Mexico-Canada Agreement (USMCA).

It is disappointing that Canada seeks to erode the durability of our bilateral economic relationship. The size and scope of the relationship are something for both countries to be proud of. Yet Ottawa insists on moving forward with a policy of unique discrimination and unreasonableness, while rejecting multilateral efforts to eliminate DSTs. Given the urgency of the issue and the significant potential economic impact on American workers, we expect an immediate and vigorous use of your available tools to push back on this problematic tax.

Sincerely,



Jason Smith
Chairman
Committee on Ways and Means



Adrian Smith
Chairman
Subcommittee on Trade




Darin LaHood
Co-Chair
Digital Trade Caucus



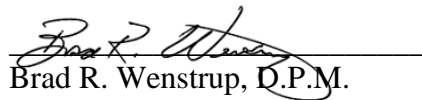
Vern Buchanan



Mike Kelly



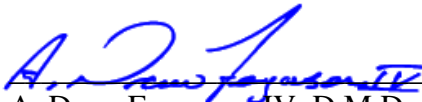
David Schweikert



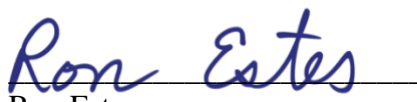
Brad R. Wenstrup, D.P.M.



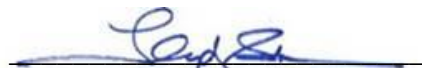
Jodey C. Arrington



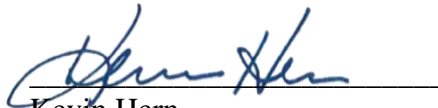
A. Drew Ferguson, IV, D.M.D.



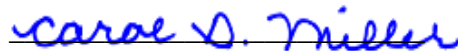
Ron Estes



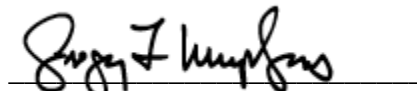
Lloyd Smucker



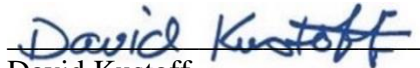
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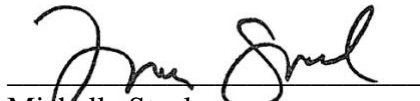


Gregory F. Murphy, M.D.


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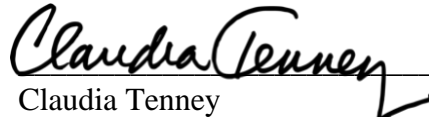

Michelle Fischbach

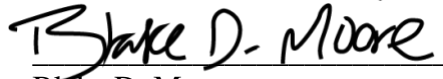

Michelle Steel


Randy Feenstra


Mike Carey


Brian K. Fitzpatrick


Claudia Tenney


Blake D. Moore


Beth Van Duyne


Nicole Malliotakis

Cc: Janet L. Yellen, United States Secretary of the Treasury