



June 12, 2024

The Honorable Katherine Tai  
Ambassador  
U.S. Trade Representative  
600 17th Street NW  
Washington, DC 20006

Dear Ambassador Tai:

On behalf of Chamber of Progress – a tech industry association supporting public policies to build a more inclusive country where all people benefit from technological leaps – I write today regarding Digital Services Taxes (DSTs).

**Digital Services Taxes are regressive and harm the American innovation economy**

DSTs raise concerns about fairness. Unlike income taxes, which take a larger chunk from high earners, DSTs are typically levied as a flat rate on revenue, not profit. This means low-income earners, who spend a larger portion of their income on digital services, shoulder a bigger tax burden than the wealthy. This is regressive and contrary to the Biden Administration’s commendable commitment to tax fairness<sup>1</sup>.

DSTs have been implemented in jurisdictions like Canada and continental Europe with very limited technology sectors. That is notable for two reasons: they are inconsistent with building a vibrant innovation economy and would disproportionately impact American firms. US government data indicate that the US digital economy supports 8 million jobs<sup>2</sup>. Policymakers must promote and defend this essential sector of our economy.

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<sup>1</sup> See FACT SHEET: President Biden Is Fighting to Reduce the Deficit, Cut Taxes for Working Families, and Invest in America by Making Big Corporations and the Wealthy Pay Their Fair Share at <https://www.whitehouse.gov/briefing-room/statements-releases/2024/03/07/fact-sheet-president-biden-is-fighting-to-reduce-the-deficit-cut-taxes-for-working-families-and-invest-in-america-by-making-big-corporations-and-the-wealthy-pay-their-fair-share/>.

<sup>2</sup> See New and Revised Statistics of the U.S. Digital Economy, 2005–2021 at <https://www.bea.gov/system/files/2022-11/new-and-revised-statistics-of-the-us-digital-economy-2005-2021.pdf>.

Opposing DSTs is a welcome point of consensus at a time of political polarization. Bipartisan, bicameral voices have urged you to act on DSTs<sup>34</sup>. Additionally, the State Department's recently released *Digital Policy Strategy* notes that "The Department of State, working with other agencies, will continue to argue against data localization, network usage fees, **digital services taxes** as well as other market access barriers that ... can undermine growth and security objectives<sup>5</sup>."

### **Pushing back against DSTs is critical to the success of Pillar One**

America is unique among leading economies in taxing global revenues. The Organization for Economic Cooperation and Development's (OECD) Pillar One will bring greater fairness to global taxation by putting global competitors on a similar footing. It will also benefit American companies by offering greater tax certainty.

Treasury Secretary Yellen has worked for years to coordinate multistakeholder action on Pillar One, which will benefit American businesses and consumers alike. If we do not deliver on the promise of Pillar One, we can expect more discriminatory DSTs to proliferate.

By the same token, inaction on DSTs undermines the US Government's negotiating position within the OECD process and can make this essential reform that much harder to achieve.

When asked about DSTs at a recent Senate hearing, you told Congress you are "prepared to use the tools that we have."<sup>6</sup> Should Canada or another major nation move forward with the implementation of a Digital Services Tax, **we urge you to immediately file an objection under USMCA and begin a Section 301 investigation**. It is essential to match words with actions. Only you can act on this bipartisan public policy priority.

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<sup>3</sup> See Letter from Sens. Wyden and Crapo, October 10, 2023 at <https://www.finance.senate.gov/imo/media/doc/20231010wydenrapolettertoustroncanadadst.pdf>.

<sup>4</sup> See Letter from Members of House Ways and Means Committee, September 19, 2023 at <https://lahood.house.gov/2023/9/lahood-ways-and-means-colleagues-push-back-on-canada-s-discriminatory-digital-services-tax>.

<sup>5</sup> See Digital Policy Strategy at <https://www.state.gov/united-states-international-cyberspace-and-digital-policy-strategy/#action-area-2>

<sup>6</sup> See The President's 2024 Trade Policy Agenda at <https://www.finance.senate.gov/hearings/the-presidents-2024-trade-policy-agenda>.

Sincerely,

A handwritten signature in black ink, appearing to read "T O'Boyle", is written over a light-colored rectangular background. The signature is fluid and cursive.

Todd O'Boyle  
Senior Director, Technology Policy  
Chamber of Progress