

November 24, 2017

For Immediate Release

## **U.S. CONGRESS: DO NOT CONFISCATE OUR SMALL CANADIAN BUSINESSES AS PART OF YOUR TAX REFORM**

Dear Congressperson,

On November 16, 2017 Rep George Holding, of the House Ways and Means Committee, in an exchange with Chairman Brady, urged that as part of tax reform that: **The United States join the rest of the world by adopting “residence-based taxation”. This would END the U.S. current practice of imposing worldwide taxation on certain residents of other countries.**

As U.S. law currently stands, many Canadian citizen/residents (who are deemed by the U.S. to be “U.S. Persons”) find themselves subject to U.S. taxation (ON THEIR CANADIAN INCOMES and CANADIAN ASSETS), even though they live in Canada and pay taxes to Canada.

The application of U.S. tax law into Canada – a principle enforced by FATCA - has profoundly negative consequences, some of which are intended and some of which are unintended.

**This is a request** that the wording of the United States “Tax Cuts and Job” bill be revised so as not to harm, even more, small Canadian businesses possibly included, we believe inadvertently, by your proposed tax reform legislation.

As your tax Senate and House tax reform bills are presently worded, Sec. 14103, for example in the Senate bill, might be interpreted to confiscate a significant percentage of the retained earnings of certain small “Canadian Controlled Private Corporations”. This is evidently part of broader legislation to implement “territorial taxation”, in order to enhance the competitiveness of publicly traded U.S. multinational corporations.

We believe that this section is intended to apply ONLY to the foreign subsidiaries of U.S. domestic corporations. However, a strict reading of the language of the bill suggests that this “transition tax” MIGHT also be paid by those who are deemed by your country to be “U.S. persons” living overseas who happen (as is common in Canada) to own an incorporated small business. The “minnows” swept up by your bill will then include small businesses such as a one-person incorporated medical doctor’s clinic, should the owner be designated by U.S. law to be a “U.S. person”.

We do not believe that this was your intention and ask that you fix the language of the bills accordingly. Surely you would agree that “territorial taxation” for U.S. multinational corporations does NOT mean that the United States should extend its taxable “territory” to Canadians who happen to own small Canadian Controlled Private Corporations!

As part of U.S. tax reform, we conclude by asking that the United States **stop imposing worldwide taxation on any Canadian resident** AND clarify that the “Tax Cuts and Jobs” Bill does NOT apply to Canadian residents who are shareholders of Canadian Controlled Private Corporations.

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On behalf of the

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