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May 3, 2021

Hon. Kirsten Hillman
Ambassador of Canada to the United States
501 Pennsylvania Avenue, NW
Washington, DC 20001

Re: Proposed 1% annual tax on U.S. property owners in Canada

Dear Madam Ambassador:

I write with concern regarding a proposal included in the Government of Canada's 2021 budget outline, A Recovery Plan for Jobs, Growth and Resilience, that would impose a national property tax equal to 1% of a property's value to be assessed on all foreign-owned properties, including properties owned by U.S. persons that would be effective on January 1, 2022. The imposition of this proposal as contemplated could result in a significant financial burden on many of my middle-class constituents who own homes in Canada and weaken the bond between our two countries at a time when we should be looking for ways to strengthen it. As your government begins the consultation process toward implementation of this proposal, I strongly urge you to reject its application to American citizens who own property in your country.

I have long been critical of proposals that would create barriers to the free movement of people and goods across our shared border. For example:

- In 2013 and 2015, I led opposition to a fee proposed by the U.S. government on passenger vehicles at land ports of entry.
- In 2017, I was opposed to a border adjustment tax as a source of revenue for the Tax Cuts and Jobs Act because of the chaos it could have wrought on cross-border commerce.
- In 2019, I was opposed to overly broad tariffs on Canadian industries because of the strong ties in manufacturing between Western New York and Canada.
- During negotiations for a new trade agreement, I repeatedly argued that Canada and the United States should work together to facilitate better labor and environmental standards for Mexico to protect workers in both of our countries.
- I am also sympathetic to the Canadian government's requests to seek exemptions to the Buy America requirements set by the U.S. government to the extent they can protect jobs in the stream of commerce between Western New York and Canada.

In addition, during the implementation of the Western Hemisphere Travel Initiative, I worked diligently to ensure that my constituents could have easy access to consular services at the U.S. Department of State so as to ensure continued access to Canada in as seamless a way as possible in the face of new security obstacles.

It is based on this long record of protecting the flow of people and goods across the border that I am concerned about the potential negative consequence of the imposition of this tax, as proposed. The unique bi-national Niagara region is a special place, in part because of the high degree of cross-border cultural exchange that has gone on among individuals and families for generations. I understand the justified concerns shared by many in major metropolitan areas in Canada that absentee foreign landlords in these major metros can artificially inflate property values and thereby hurt hardworking families. Similar concerns exist on this matter in areas across the United States, as well. However, this policy as proposed may be overly broad resulting in a presumably unintended consequence outside the major metro areas, most certainly in the binational Niagara region, without categorial exemptions for American property owners.

The Government of Canada, as a sovereign power and equal partner, of course has the right to impose whatever taxes and controls it wishes on foreign investment. But the United States of course enjoys the same rights within its own borders. Our country welcomes "snowbirds" and other Canadian guests who own property here for both personal and investment purposes. We value their financial contributions and their contribution to our culture.

If the Government of Canada were to implement this 1% property tax as proposed without a categorical exemption for American property owners, as a member of the U.S. House of Representatives Committee on Ways and Means, I would be forced to contemplate reciprocal measures on Canadian owners of real property in the United States, including building on the existing Foreign Investment in Real Property Tax Act (FIRPTA) framework or using tariff authorities to impose a new annual fee to achieve a specific, narrow and reciprocal response.

But I sincerely hope we do not have to get to a point of escalation and retaliation. Amidst this conversation, our countries face an unprecedented public health crisis that has shaken every facet of our societies. Our shared border remains closed, and this prolonged closure will have a marked impact on our longstanding cultural and economic ties. The imposition of this property tax without dispensation for American citizens would make efforts to repair these ties exponentially more difficult in my community in Western New York.

Thank you very much for your attention to this matter.

Sincerely,

Brian Higgins

BRIAN HIGGINS
Member of Congress