Read Jim Flaherty's letter on Americans in Canada



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Finance Minister Jim Flaherty penned this letter, intended for publication in major newspapers including The Washington Post, The New York Times and The Wall Street Journal.

By Jim Flaherty

Canada and the United States are neighbours and have long been the closest of friends. We share a common border and we share many common values.

One of those values is fighting tax evasion. We believe in fair tax systems where everybody pays their share.

Many Canadians, however, have become concerned about the impact of a proposed piece of American tax legislation – the Foreign Account Tax Compliance Act, or FATCA.
I share their concern.

We appreciate efforts to combat tax evasion. In fact, our two jurisdictions co-operate to prevent it. But FATCA has far-reaching extraterritorial implications. It would turn Canadian banks into extensions of the IRS and would raise significant privacy concerns for Canadians.

To be clear, Canada respects the sovereign right of the United States to determine its own tax legislation and its efforts to combat tax evasion – the underlying objective of FATCA.

But put frankly, Canada is not a tax haven. People do not flock to Canada to avoid paying taxes. In addition, we have existing ways of addressing these issues with the United States through our Bilateral Tax Information Exchange Agreement. As I said, we share the same goal of fighting tax evasion and we already have a system that works.

To rigidly impose FATCA on our citizens and financial institutions would not accomplish anything except waste resources on all sides.

Another issue, this one affecting more directly the large numbers of dual U.S.- Canadian citizens and their relatives living in Canada, is the IRS's Foreign Bank Account Report (FBAR) filing requirements.

Most of these Canadian citizens, many with only distant links to the United States, have a very limited knowledge of their tax reporting obligations to the United States. These are honest and law-abiding people, including many senior citizens now caught in a nerve-wracking situation. Moreover, because they work and pay taxes in Canada, they generally do not owe any taxes in the United States in any event. Their only transgression is failing to file the IRS paperwork they were never aware they were required to file.

These people are not the targets of a crackdown on tax evasion. These are not high rollers with offshore bank accounts. These are people who have made innocent errors of omission that deserve to be looked upon with leniency.

Rather, these people are typically hard-working citizens of our two great countries.

Faced with the knowledge that they do have an obligation to file U.S. tax returns (even if they most often do not actually owe any taxes) they want to do the right thing.

But the threat of prohibitive fines for simply failing to file a return they were unaware they had to file, is a frightening prospect that is causing unnecessary stress and fear among law abiding hardworking dual citizens.

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