

# U.S. ambassador ‘sympathetic’ to Canadians affected by tax crackdown

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The U.S. ambassador to Canada is vowing to find a way to “accommodate” the thousands of Canadians caught up in a tax crackdown on Americans who stash their money offshore.

David Jacobson said he and the head of U.S. Internal Revenue Service are “sympathetic” to the plight of the many Canadians unwittingly caught up in the U.S. Sweep.

“My message on this one is to sit tight,” Mr. Jacobson said in [remarks prepared for a speech](#) to the Canadian Club of Ottawa Tuesday. “We are not unreasonable. We are not unsympathetic. We are not irresponsible.”

Mr. Jacobson cited the hypothetical example of a 70-year-old “grandma” – born in the U.S., who has lived here her entire adult life and dutifully paid taxes to Canadian authorities.

She doesn’t owe any taxes to the IRS, but has never filed returns and other financial disclosures, as required by U.S. Law.

“Grandma could be theoretically subject to serious penalties,” Mr. Jacobson said. “To my knowledge we have never gone after a grandma in those circumstances.”

The remarks are the first acknowledgment by the United States that the tax crackdown has caused unique problems in Canada, which is home to more than a million dual Canadian-American citizens. The problem is that the U.S., unlike virtually all other countries, has long required that its citizens report their global income, regardless of where they live and work. And more recently, the IRS has demanded that Americans annually disclose the content of all their bank, brokerage and pension accounts – a measure put in place to prevent both tax evasion and money laundering.

Non-compliance can lead to significant fines and penalties, leaving many Canadians worried that a large chunk of their life’s savings could be seized or taxed.

The IRS is also enlisting foreign financial institutions in its crackdown, requiring them to start identifying all their U.S. account holders starting in 2014 – a law that has prompted protests from Finance Minister Jim Flaherty about privacy and extraterritoriality.

There are more dual-U.S. citizens in Canada than anywhere else in the world. Many of them came to Canada as children or young adults and have no financial links to the U.S. and earned little or no income there.

Mr. Jacobson conceded U.S. tax laws have caused “problems” for many of these Canadians.

It's not clear what kind of accommodation the IRS is contemplating.

And Mr. Jacobson offered no assurances for anyone who may owe taxes in the U.S.

“We have to figure out a way to do it without letting the person who is trying to evade taxes in the Cayman Islands off the hook,” he explained.

In his speech, Mr. Jacobson said the IRS tax crackdown is one of several border irritants that has stirred about passions in Canada in recent months. He also highlighted Canadian complaints about Buy American purchasing rules in the Obama administration's latest job creation bill and talk of a U.S. tariff on freight, stemming from a dispute between U.S. and Canadian West Coast ports. Mr. Jacobson pointed out that the U.S. Federal Maritime Commission, which is probing complaints about Canada stealing shipping traffic, has “no authority” to impose duties.

“I'm here to give all you – and all Canadians comfort,” he said. “We don't plan to divert traffic to Seattle from Vancouver by imposing tariffs or fees on goods crossing into the United States from Canada.”

He insisted relations between the countries have never been better, while suggesting that many Canadians are too eager to see problems in the relationship.

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