



1536 SE 11th Ave., Ste. A | Portland, OR 97214

www.ospirg.org (503) 231-4181 (ph)
info@ospirg.org (503) 231-4007 (fx)

April 10, 2013

To: Representative Phil Barnhart, Chair
Members of House Committee on Revenue

From: Celeste Meiffren, Consumer and Taxpayer Advocate, OSPIRG

Chair Barnhart and the members of the committee,

OSPIRG supports Section 7 in House Bill 2456-2 that would take the first steps towards preventing companies doing business in Oregon to use offshore tax havens to avoid paying state taxes.

When companies and individuals avoid paying their taxes, the rest of us pick up the tab, either in the form of higher taxes, cuts to public spending priorities, or increased deficits. OSPIRG Foundation research estimates that Oregon's state budget loses \$283 million in annual revenue as a result of legal and illegal abuse of offshore tax havens by multinational corporations.¹ The analysis was based on IRS data on the distribution of income tax filings across the fifty states, with data then applied to the prevailing corporate tax rates in each state. A review of this research by Pulitzer Prize winning tax journalist David Cay Johnson in the tax-industry publication *Tax Notes*, noted that while at first the amounts seemed high, under greater scrutiny, "the fundamental findings seem sound," and the analysis was "done well enough that state agency officials should be ensuring that legislative committees and their staffs see it and that voters know about it."²

The proposed provision would not solve this problem in its entirety; the Legislative Revenue Office estimates it will bring \$18 million in lost revenue back to Oregon. Even as we recommend this provision be adopted, we also encourage the Legislative Assembly to study additional ways in which Oregon can prevent tax avoidance through offshore tax havens.

The approach outlined in this proposal is proven to work. The state of Montana, a much smaller state than Oregon, enacted a similar law that has recaptured around \$6 to \$7 million in additional revenue in recent years—and much more than was originally projected.

In sum, adopting the tax haven proposal of House Bill 2456-2 will help ensure that businesses in Oregon will thrive based on their productivity and capacity for innovation, rather than the aggressiveness of armies of tax lawyers and accountants. The bill protects ordinary Oregonians from shouldering a significant burden from abuse of offshore tax havens.

¹ "The Hidden Cost of Offshore Tax Havens: State Budgets Under Pressure From Tax Loophole Abuse," OSPIRG (January 2013), available at <http://ospirg.org/reports/orp/hidden-cost-offshore-tax-havens>.

² David Cay Johnston, "Bermuda Robs Sacramento and Albany — Who Knew?" Tax Analysts, *State Tax Notes*, February 11, 2013.