

# ORGANIZATION *for* INTERNATIONAL INVESTMENT

## Global Investment Grows America's Economy

House Committee on Revenue Hearing  
Testimony on HB 2099  
February 4, 2015

The Organization for International Investment (OFII) welcomes the opportunity to comment on HB 2099. OFII urges legislators to oppose this bill because it would establish tax policies unseen in the United States, positioning Oregon as a far less competitive market for attracting foreign direct investment (FDI).

OFII is a business association representing the U.S. subsidiaries of companies headquartered abroad, including many of Oregon's largest employers (membership list is attached). OFII aims to position the United States as a competitive location to attract FDI, working with federal and state policymakers on policies that are nondiscriminatory and encourage global employers to invest and create jobs in America.

### **FDI is critical to Oregon's Economic Growth**

The U.S. subsidiaries of foreign-based companies are vital to the national economy. These companies employ 5.8 million Americans, or 5 percent of the nation's private sector workforce. These firms have an outsized impact in local communities. For example, U.S. subsidiaries produce 21 percent of U.S. exports, underwrite 15 percent of U.S. innovation efforts, account for 2.2 million manufacturing jobs, and pay salaries 33 percent higher than economy averages.<sup>1</sup>

Oregon benefits tremendously from the investment these firms bring to the state. 46,300 state residents work directly for a U.S. subsidiary. Over 34 percent of these jobs are in manufacturing.

Governor John Kitzhaber recognizes FDI as an economic priority. In recent years, he has traveled to the Netherlands, Germany, Japan, and Hong Kong selling Oregon as an attractive investment location to the rest of the world.

### **OFII concerns with HB 2099**

OFII opposes HB 2099 because it would add the Netherlands, among other nations, to the state's tax haven list. Income from unitary affiliates incorporated in these so-called tax haven jurisdictions would have to be part of a company's calculation in determining Oregon taxable income. Additionally, we are also opposed to the Department of Revenue's "Recommendations on Tax Haven Jurisdictions," which would add Switzerland to the state's haven list.

OFII believes labeling countries in this manner is arbitrary and could lead to disputes with other countries, as Ambassadors from these nations have voiced. Additionally, companies that simply have an affiliate incorporated in these countries would face uncertainty and potential additional

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<sup>1</sup> All statistics in this testimony are the latest data from the U.S. Department of Commerce's Bureau of Economic Analysis (BEA) released January 2015 regarding the U.S. subsidiaries of internationally-headquartered companies.

taxation when investing in Oregon. The mere fact that a U.S. subsidiary's affiliate is incorporated in a so-called tax haven country does not mean that there is any tax avoidance. It is wrong to assume that U.S. subsidiaries or their affiliates are engaged in tax avoidance activities and thus should be subject to punitive taxation by one U.S. state.

Neither the federal government nor any state has taxed a business just because it is incorporated in the Netherlands or Switzerland. These countries have long been recognized as important U.S. trading partners. These countries have invested nearly a half trillion dollars into the U.S. economy, fueling economic growth across the nation. Firms from these countries provide 841,000 U.S. jobs, produce over \$21 billion in annual exports, and account for nearly a quarter of all FDI flows from Europe into the United States. Over 6,000 Oregonians work for a Dutch or Swiss-based company. These firms don't strip from the American economy to supposed tax havens – they build, grow, and contribute remarkably to it.

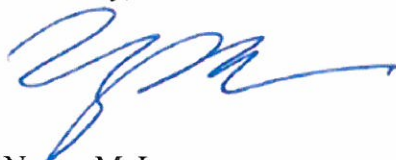
Further, both the Netherlands and Switzerland have negotiated a tax treaty with the United States. Additionally, several of the listed jurisdictions on the list have bilaterally negotiated tax treaties and protocols with the United States (e.g. Barbados, Cyprus, Luxembourg, and Malta) and several more have negotiated such agreements with the Administration, but await U.S. Senate ratification (e.g. Isle of Man, Cayman Islands, Jersey, States of Guernsey) – and others could be negotiated in the future. These agreements provide a reliable tax environment for companies operating across borders. They prevent double taxation and provide important sharing of information between governments to ensure appropriate taxes are paid. While states are not bound by U.S. tax treaties, a state should pursue tax approaches that align to our country's obligations under such agreements to ensure it remains competitive for FDI.

Imagine if this tax policy was in place when Governor Kitzhaber traveled to the Netherlands in 2012. How would the Governor even have begun to promote Oregon to Dutch-based firms when his state's tax policy blacklists this nation and imposes double tax to the very firms he is trying to recruit? This tax policy unequivocally misaligns with the state's economic development goals to attract investment from any nation on its list. It is a clear, discriminatory barrier to any future Governor trying to promote Oregon to these nations.

Simply put, HB 2099 would position Oregon as a sheer outlier in the global economy and carry international implications unseen in current state tax policy. For these reasons, we respectfully urge opposition to this proposal.

Thank you for your consideration. Please contact Evan Hoffman, OFII's Senior Manager of State Government Affairs, at [ehoffman@ofii.org](mailto:ehoffman@ofii.org) or (202) 659-1903, for additional information.

Sincerely,



Nancy McLernon  
President and CEO  
Organization for International Investment

# ORGANIZATION *for* INTERNATIONAL INVESTMENT

## Global Investment Grows America's Economy

OFII is the only business association in Washington D.C. that exclusively represents U.S. subsidiaries of foreign companies and advocates for their non-discriminatory treatment under state and federal law.

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