



The Honorable Phil Barnhart, Chair
House Committee on Revenue
Oregon State Legislature
900 Court Street NE, H-279
Salem, Oregon 97301

Subject: Opposition to House Bill 2099

Date: March 31, 2015

Dear Chair Barnhart and Members of the Committee,

Philips North America (Philips), whose parent company Royal Philips is headquartered in the Netherlands, is adamantly opposed to House Bill 2099 that would add the Netherlands to Oregon's existing tax haven list. In doing so, Philips would be subject to double taxation – once by Oregon and once by the Netherlands. We therefore respectfully request the Committee not advance this discriminatory legislation.

Royal Philips is a diversified health and well-being company that has been operating in the Netherlands since 1891 – nearly 125 years. It is mistaken to suggest that we are incorporated there for tax avoidance purposes by including that country on the state's tax haven list. Royal Philips is operating in the Netherlands because that is where we were founded and that is one of multiple countries, including the U.S., where we conduct legitimate business operations, including product manufacturing, research and development, supply chain streamlining, and new customer acquisition.

No state has ever deemed the Netherlands, which is one of America's most important trading partners and sources of foreign direct investment (FDI), to be a tax haven. In fact, the Netherlands has a bilateral tax treaty with the United States that provides a reliable tax environment for companies like Philips that are operating across borders. This prevents double taxation and provides important sharing of information between governments to ensure appropriate taxes are paid to the appropriate jurisdictions. HB 2099 directly undermines the spirit of this bilaterally negotiated tax treaty. Furthermore, HB 2099 is unnecessary because Oregon already has mechanisms in place to combat tax evasion by distinguishing tax motivated transactions from transactions that serve legitimate and significant business purposes.

Philips invests in states that provide a predictable tax environment and which align their tax policies with global tax norms and tax treaties. We would likely be hard pressed to seriously consider Oregon for future expansion and relocation if the Netherlands is added to the state's tax haven list. Philips and other U.S. subsidiaries of global companies collectively employ 46,300 people in Oregon, in critical sectors like research and development, senior management, and manufacturing. The salaries of these



Daniel Felton, Senior Manager, State Government Relations
Philips North America
1050 K Street NW, Suite 900, Washington, D.C. 20001
(202) 962-8568 / daniel.felton@philips.com

employees are 33 percent higher than economy averages and represent the very jobs Oregon should be attracting and retaining rather than discouraging through economic disincentives. I therefore urge you to oppose HB 2099, and in general any tax haven list policy, to ensure Oregon remains a competitive and attractive location for Philips and other FDI corporations to invest in and create jobs.

Philips and Oregon

Royal Philips is focused on improving people's lives through meaningful innovation in the areas of Healthcare, Consumer Lifestyle and Lighting. Headquartered in the Netherlands, the company is a leader in cardiac care, acute care and home healthcare, energy efficient lighting solutions and new lighting applications, as well as male shaving and grooming and oral healthcare.

Philips employs more than 80 people who live in Oregon, generating nearly \$9 million in annual payroll. Our primary facility is located in Bend, where clinical services and support, research and development, and sales and service is undertaken for Philips Healthcare's Respiroics, a leading developer, manufacturer and distributor of innovative products and programs that serve the global sleep and respiratory markets. Last year, Philips' vendor relationships in Oregon resulted in a downstream dollar impact of more than \$42M for suppliers, distributors and other businesses within our supply chain in the state.

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Philips appreciates your consideration of our concerns with House Bill 2099 and our request that it not be advanced. Please contact me if you have any questions or require any further information regarding this matter.

Sincerely,



Daniel Felton