NOVARTIS

April 1, 2015

To House Committee on Revenue Members,

As the Vice President and head of Tax and Insurance of Novartis Corporation, I urge opposition to HB 2099, legislation that would expand the state's tax haven list to include Netherlands and potentially Switzerland, among other nations. Frankly labeling any country in this manner is arbitrary and misaligns with global and U.S. tax norms. I urge you to oppose tax haven list policy because it positions Oregon as a far less competitive location for foreign direct investment (FDI), jeopardizing future job creation from globally-headquartered companies like mine.

Novartis Corporation has a presence in Oregon, employing forty four people in the state and selling $86 million worth of pharmaceutical products to distributors in the state indirectly employing hundreds.

Novartis Corporation is not alone in investing in Oregon. U.S. subsidiaries of global companies employ over 46,000 people in the state. These jobs are in important sectors like research and development, senior management, and manufacturing, resulting in average salaries more than 33 percent higher than economy norms. These are the very jobs states seek to attract, but which are put at risk because of this legislation.

HB 2099 would add the Netherlands and potentially Switzerland to the state's deemed tax haven list and lead to tax hikes to all unitary foreign affiliates based in these jurisdictions. Novartis Corporation opposes this type of tax policy for many reasons.

First, this blacklist approach assumes Novartis Corporation is an abusive tax evader because it is owned by a Swiss parent. However, the mere fact that Novartis Corporation's ultimate parent is incorporated in Switzerland does not mean tax avoidance. On the other hand, we are located in Switzerland for countless, legitimate business purposes, like manufacturing, engaging in research and development, or reaching new customers. But this policy fails to distinguish between legitimate corporate actors and tax evaders, offers no safeguards, and imposes punitive taxation to all unitary firms in these countries, which is alarming and arguably unconstitutional.[1]

For example, Novartis Corporation has been operating in Switzerland since its inception and only exists today because of its facilities in Switzerland. If it were not for the research and development activities performed by Novartis Corporation in Switzerland, Novartis would not be able to exist in the United States and it would not be employing Oregon Citizens.

[1] See *Japan Lines, Ltd. V. Los Angeles County*, 441 U.S. 434 at 450 (1979).

Second, no state has ever deemed the Netherlands or Switzerland as tax havens. Rather, these two countries are two of America's most important trading partners and sources of foreign direct investment (FDI). Both nations have bilateral tax treaties with the United States. Firms from these countries provide 841,000 U.S. jobs and produce over $21 billion in annual exports. These businesses employ over 6,000 people in Oregon.

Finally, Novartis Corporation invests in states that provide a predictable tax environment and which align their tax policies with global tax norms and tax treaties. Convincing Novartis Corporation to relocate, expand, or invest to Oregon would be a challenge because our foreign affiliates would now be double taxed by one U.S. state on income streams already taxed by its home country (e.g. royalties and interest). Additionally, the uncertainty of which nations will be added to the list in the future could further hurt the state's outreach efforts across the globe.

No other state except Montana has a tax haven list, and Montana ranks dead last of all states in total job creation from FDI. While Oregon's tax haven list is recent law, Montana's aggressive international tax tactics are well known and have contributed to its anti-competitive investment climate. It's because tax haven list policies are clear, discriminatory tax policies that fail to distinguish legitimate business activities from abusive transactions. How could Governor Brown or any future Governor promote Oregon as at attractive market to firms based in any of the listed nations?

Simply put, HB 2099 would damage the state's reputation among potential foreign investors like Novartis Corporation looking to invest and expand operations. We urge you to oppose HB 2099 and tax haven list policy overall to ensure Oregon remains a competitive and attractive location to invest and create jobs.

Thank you for your consideration of this important issue for Novartis Corporation's employees and the broader international business community.

Sincerely,

Marc Lewis

Vice President and Head of Tax & Insurance