

June 16, 2015

Senate Finance & Revenue Committee
900 Court Street Northeast
Salem, OR 97301

RE: Smart Growth Coalition supports -3 amendments to SB 61

Chair Hass and Members of Committee,

On behalf of the Smart Growth Coalition, whose members are comprised of corporations in the technology and manufacturing sectors committed to fiscally sound policies for Oregon's business climate, we appreciate the opportunity to comment on SB 61 and the proposed amendments. We have significant concerns regarding the underlining bill and expanding the list of countries required for unitary corporations to report global economic activity for Oregon apportionment purposes.

It is important to understand the whole context of this issue before moving forward on any changes to the treatment of unitary groups in Oregon. In 1984, the legislature convened in a special session to repeal the worldwide assessment of foreign income for unitary corporations. Large international companies—such as Mitsubishi, Westinghouse Electric, NEC America, and Epson America—raised interest in locating and expanding their operations in Oregon. However, these companies raised concerns about the irregular tax treatment of economic activity on a global scale. In fact, I recall the Portland Development Commission returning from a two-week trade mission to Japan reporting, "It's getting to the point where Oregon is virtually being blacklisted in Japan because of the unitary tax." The legislature opened the doors for business investment by repealing the tax and Oregon benefitted greatly.

SB 61 is an honest attempt to circumvent accounting mechanisms used by bad actors to evade proper apportionment in Oregon. If passed, however, the measure would fail to accomplish this objective and penalize all unitary corporations for the sake of catching the few who are trying to gain the system. The -2 amendments only exasperate this dilemma by maintaining the arbitrary "blacklist" of foreign governments and allowing the Department of Revenue to make additions to the list without legislative approval, effectively returning to the worldwide unitary apportionment model.

Our coalition was encouraged by the introduction of amendments for the companion bill (HB 2099) in the House. The -8 amendments for HB 2099 would create an enforcement mechanism for the Department of Revenue to investigate alleged illicit activity in any country rather than the capricious list.

Ultimately, the objective of any administrative change in the state's tax regime should be to allow the system to be more efficient and accumulate legitimate revenues owed to the state. SB

61 fails to accomplish this objective. However, the -3 amendments resolve many of the immediate concerns we have relating to the proposed reporting requirements by continuing to require legislative approval for additions to the list. While we continue to have concerns over the underlining bill and the existence of the list, we look forward to continuing this discussion in the future as we search for an enforcement tool for the department to use to address these issues.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul Phillips". The signature is fluid and cursive, with the first name "Paul" and last name "Phillips" clearly distinguishable.

Paul Phillips
on behalf of the Smart Growth Coalition