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June 16, 2015

Re: Oppose SB 61 and -2 and -3 Amendments

Dear Senate Finance and Revenue Committee Members,

On behalf of Transamerica Life Insurance Company, its affiliates and subsidiaries, I write to express our serious concern with S.B. 61 and the -2 and -3 amendments, proposals that would expand the state's tax haven list. Labeling any country as a tax haven 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.

Transamerica has 167 employees in Oregon; 13 of those employees also residing in the state. Various Transamerica entities offer life insurance, annuity products and financial services to customers throughout the United States, including residents of Oregon. Our employees in Oregon contribute to these operations.

Transamerica 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 financial services, 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.

My company opposes the tax haven blacklist policy for many reasons.

First, this blacklist approach incorrectly presumes that Transamerica Corporation, our US taxpayer, is an abusive tax evader simply because our parent corporation, AEGON NV, and selected affiliates, operate or are incorporated in certain countries. The mere fact that AEGON NV or a foreign affiliate could be incorporated in one of these countries does not mean tax avoidance. We are located in these nations for countless, legitimate business purposes, including senior management operations and the ability to reach and service existing and new customers to provide a range of insurance, pension and saving products. The tax haven 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.<sup>1</sup>

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<sup>1</sup> See *Japan Lines, Ltd. V. Los Angeles County*, 441 U.S. 434 at 450 (1979).

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AEGON NV is growing around the globe. While the main operations are in the United States, the Netherlands and the United Kingdom, AEGON currently conducts business in 25 countries. It is possible that the company could expand business operations at some point in the future to countries that are on the tax haven list or the list could be expanded to include countries where AEGON currently conducts operations. The -2 and -3 Amendments would require the Department of Revenue to recommend additions to the tax haven country list every two years. Therefore, we could suddenly face punitive taxation in Oregon because of calculated business decisions that have nothing to do with tax evasion.

Additionally, the -2 Amendments and -3 Amendments fail to solve our concerns because neither set of solutions would carve out legitimate business transactions. There is no tax treaty carve out nor arms-length and business purpose test, norms seen in state tax policies across the country. We urge the Committee to adopt “effectively connected income” language, the standard used by the Internal Revenue and Service and numerous states as a threshold to tax income of non-U.S. companies.

No other state except Montana has a tax haven list, and Montana ranks dead last of all states in total job creation from FDI. Additionally, in the past two years, every other state has rejected bills that would adopt the tax haven blacklist policy approach—except Oregon. Rhode Island is the only other state that enacted tax haven legislation into law during this period, but they used a criteria test instead of the blacklist approach and, most importantly, built in safeguards to protect legitimate business transactions.

S.B. 61 and the -2 and -3 Amendments would damage the state’s reputation among potential foreign investors looking to invest and expand operations as they fail to distinguish legitimate business activities from abusive transactions. We urge you to oppose S.B. 61 and the -2 and -3 Amendments to ensure Oregon tax policies align with international, federal and state norms.

Thank you for your consideration of this important issue for Transamerica, its parent AEGON NV, and the broader international business community.

Sincerely,

A handwritten signature in cursive script, appearing to read "Dana Marcher". The signature is written in dark ink on a white background.