From: kimberly.clausing@gmail.com [mailto:kimberly.clausing@gmail.com] **On Behalf Of** Kimberly Clausing
Sent: Saturday, June 27, 2015 3:08 PM
To: Rep Barnhart
Cc: LRO
Subject: SB925B haven provisions

Greetings Representative Barnhart,

Allow me to introduce myself. I'm a Professor of Economics at Reed College. While I very rarely get involved in state level government, I am an international expert on the tax avoidance of multinational firms, and I have made a twenty year career (so far) studying related questions.

You can find more information about my research on my web page, http://academic.reed.edu/economics/clausing/

I write you now since SB925B has come to my attention through discussions with others interested in these policies. In particular, two matters seem somewhat problematic.

First, the list of tax havens excludes some well-known tax havens. In my research (see figure 3 in the attached paper below, as one example), I show that the most important tax havens for U.S. multinational firms are the Netherlands, Ireland, Luxembourg, Switzerland, the UK Carribean Islands, and Singapore. All of these countries have tax effective tax rates for affiliates of US multinational firms in the single digits, and together they attract nearly half of all foreign profits of US firms, despite having a *combined* population smaller than that of Spain or California. These countries are understood by those in the field of international tax to be the "big" havens, and many of the profits reported in these havens are likely shifted there from other sources, including of course the United States.

Second, I am concerned about the provision on p.66 of the draft here (https://olis.leg.state.or.us/liz/2015R1/Downloads/ProposedAmendment/7730) that would eliminate inclusion of income that is not directly or indirectly attributable to transactions with a unitary group member. While this sounds sensible enough, in practice this determination may be nearly impossible to make. The accountants and lawyers that arrange tax matters for multinational firms are quite clever at asserting that income is "earned" in tax havens through activities there, although in practice the vast majority of that income is shifted there from operations in the United States and elsewhere. In short, in a global economy, and with the sophistication of today's tax planners, this sort of determination is not likely to be practical. And thus, it seems likely to undermine the intent of Oregon's law.

Further, it is my understanding that there are far simpler remedies to the problem that this section attempts to address (of possible inclusion of income from foreign business activities), through relief provisions under UDITPA, or by allowing Oregon companies to elect combined reporting.

At any rate, allow me to close by thanking you for your service to the State of Oregon. You do a tough job, and I appreciate all the hard work. Do not hesitate to contact me if you have questions about my email or my related research. Email is the easiest way to set up a call; the address is below.

Best wishes,
Kim

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This attachment is a chapter forthcoming in a book:

within Dietsch, Peter, and Thomas Rixen, eds. *Global Tax Governance*. (The chapter was most recently presented at Harvard Law School.) The referenced figure is on page 36 of this document, after the main text.