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February 8, 2016

Oregon State Legislature  
House Committee on Revenue

*Via E-mail*

**Re: COST Opposes H.B. 4035**

Dear Chairman Barnhart and Members of the Committee:

On behalf of the Council On State Taxation (COST), I am writing to oppose H.B. 4035, a bill that would require publication of confidential taxpayer information. COST is a nonprofit trade association consisting of approximately 600 multistate corporations engaged in interstate and international business. COST's objective is to preserve and promote equitable and nondiscriminatory state and local taxation of multijurisdictional business entities.

**H.B. 4035 Would Violate Taxpayer Confidentiality.**

COST has consistently warned against violating taxpayer confidentiality under the guise of transparency. As COST's policy statement on confidential taxpayer information states,

“Taxpayers have a justifiable expectation of privacy. State departments of revenue audit business taxpayers on a regular basis to ensure that all relevant tax laws are appropriately enforced; releasing specific business tax returns or information from those returns to the public would serve no policy purpose.”<sup>1</sup>

H.B. 4035 would require the Department of Revenue to disclose certain taxpayer return information to the Legislative Revenue Office, which in turn would make that information public. H.B. 4035 cites no purpose for such disclosure, and the disclosure of confidential taxpayer information to the public benefits no one. Rather than inform the public policy debate, H.B. 4035 would mislead both legislators and the public into thinking that businesses do not pay substantial taxes, when in fact business pay substantial taxes, especially in areas other than the corporate income tax (*e.g.*, property taxes and other excise taxes). The corporate income tax is the most volatile state revenue stream because of business cycles and the intent of the tax code. If the

<sup>1</sup> For all COST's policy statements, see <http://www.cost.org/Page.aspx?id=3140>

Legislature is concerned that a certain class of taxpayers is being taxed inappropriately, then it should ask the Department of Revenue for aggregate information for that class of taxpayers. Showing a specific taxpayer did not pay corporate income tax for a given year – because of loss carryovers, current year profitability, tax credits, or some other reason – is not going to help the policy debate. In fact, it will likely harm the debate, as the reason for the taxpayer’s Oregon income tax liability will likely not be apparent or understood from the information disclosed. Further, the fact that H.B. 4035 is limited to disclosure of confidential taxpayer information for “the largest 100 taxpayers that claimed at least \$ \_\_\_ in corporate excise tax credits” underscores the fruitless, punitive, and arbitrary nature of this proposal. In other words, because larger companies are likely to obtain larger tax credits, the intent of this proposal appears to be to shame such corporations publicly. This limitation does nothing to find taxpayers who the Legislature may feel are being taxed inappropriately. Rather, it unnecessarily exposes confidential information of some of the largest companies doing business in Oregon.

COST respectfully requests the Committee to reject H.B. 4035.

Sincerely,

A handwritten signature in black ink, appearing to read "Nikki E. Dobay". The signature is written in a cursive, flowing style.

Nikki E. Dobay

cc: COST Board of Directors  
Douglas L. Lindholm, President & Executive Director, COST