Genentech
A Member of the Roche Group

May 1, 2017

Representative Phil Barnhart, Chair
House Revenue Committee
Oregon State Capitol
Salem, OR

Chair Barnhart and distinguished members of the House Revenue Committee:

We write to urge you and your committee to oppose **House Bill 2067** and its proposed amendments which we understand will expand the underlying bill to include additional countries including Switzerland to a tax haven blacklist. We believe this is the wrong approach to Oregon's corporate tax policy. The use of a "tax haven blacklist" to determine a corporation's tax liability fails to appropriately distinguish and exempt legitimate business activity from that of true tax evaders.

As you know, Genentech, a member of the Roche Group, has made Oregon a major hub for distribution for our products for the last 10 years. In addition to the significant investment in the construction of our state-of-the-art fill/finish facility located in Hillsboro, Genentech employs over 400 Oregonians as well as an additional 100 contracted positions.

In 2015, the Oregon Legislature considered a bill which would have added the country of Switzerland to the list of tax haven countries. Our parent company, Roche Holdings AG, is currently based in Basel, Switzerland and has been since its founding in 1896. Due to the complex and varied transactions with our parent company, the addition of Switzerland to the list of tax havens could be significantly detrimental to Genentech.

In short, H.B. 2067 would add to a flawed policy that fails to appropriately capture illicit activity. This is problematic for the following reasons:

- The blacklist approach assumes all foreign affiliates operating in so-called tax havens are abusive tax evaders. However, the fact that a company is located in one of these countries does not mean they are located there to avoid tax – for example, they may have been founded there.
- Legitimate business transactions can be inadvertently targeted by a policy meant to target corporate abuse.
- It fails to target true tax evaders who may have illicit operations outside the targeted regions.

We completely agree with the <u>intent</u> of the policy – to pursue corporate tax evasion. However, we believe it is simply more balanced and comprehensive to apply a set of criteria to all countries rather than using a fixed list of countries whose tax policy may change frequently, thus necessitating changes each year in Oregon's statute. Therefore, as an alternative, Genentech has supported H.B. 2672, which would strike the use of the "tax haven blacklist" and instead give Oregon a clear set of criteria for the Department of Revenue to identify and capture illicit investments from EVERY country in the world – not simply countries outlined in current statute.

We believe H.B. 2672 simplifies and strengthens Oregon's tax law for the following reasons:

- The tax haven factor test would still offer a tool to pursue abusive transactions. States like Connecticut, Rhode Island, West Virginia, and the District of Columbia have adopted similar approaches.
- The optics of the state's tax policy would improve dramatically as sovereign nations are no longer declared as tax havens, especially when no other jurisdiction in the world (except Montana) makes similar declarations in statute.
- It would move Oregon to an effectively connected income (ECI) standard, which is utilized by the Internal Revenue Service and many states like New York, West Virginia, and the District of Columbia to tax non-U.S. companies.

In conclusion, the use of the "tax haven blacklist", expanded upon in HB 2067, is an unwarranted and overly punitive approach, which entangles companies like Genentech and Roche who have a long history of corporate citizenship and tax compliance.

Genentech urges your opposition to HB 2067.

Sincerely,

Sandra Pizarro
Director, West Region
State Government Affairs