

HB 2191A End Oregon as a Cayman Island

Joint Committee on Ways and Means Subcommittee on General Government

– Josie Koehne – 6.28.2017



We are pleased to see HB 2191A show up on the agenda for today. Oregon should not complain about foreign tax havens while we remain one ourselves.

The Portland Business Journal reports that the U.S. Treasury calls Oregon one of the four states most “attractive to those persons seeking to hide illicit activity within the framework of shell companies.”... “And that “they can be used for a variety of white-collar crimes, ***including laundering money, dodging taxes and financing terrorism.***” The Portland Business Journal's Matt Kish had done some excellent investigative reporting over the years, including a 2015 piece that connected a house in Aloha to more than 1,300 Oregon shell companies, “making it the state's version of a Cayman Islands hideaway of shell companies and a global web of “hundreds of millions of dollars” in fraud.” Bill 2191 is designed by the Sec of State's office to combat the fraud that shell companies in Oregon have been doing at least since 2006. Most recently, The Business Journal says that ***“Oregon is among the worst at policing the formation of shell companies, thanks to the state’s light regulatory touch, commitment to quickly processing incorporation requests and relatively low costs.”*** It's time Oregon takes action on this.

This bill forcefully addresses such abuse by requiring clearer identification of owners, agents, and directors., etc. at the time of incorporation, and the company's physical address, not just a mail-forwarding address “that can thwart law enforcement when companies commit financial and other crimes.” It also requires higher annual fees that will help defray the cost to investigate any suspect activity.

Davis Wright Tremaine partner, Mark C. Phillips, who opposes HB2191, reported on Friday, March 5th in the Portland Business Journal said that HB 2191 would “add unnecessary sand into the transmission of forming a company.”

Considering what's at stake in terms of the consequences of fraud, these new requirements are a small price to pay to enable law enforcement to track down such costly illegal activity. It is a smokescreen to say that companies need less than full disclosure or we will scare off legitimate business activity. On the contrary, only illegitimate companies fearing prosecution will be put off, and that's just what this bill is designed to do.

Phillips goes on to state: “Why does anyone believe that someone who is willing to set up these shell companies to do nefarious things is going to suddenly come into the sunshine? Of course they won't—they will file the articles and make the certification using a made up name and since the secretary of state is neither required nor will have resources to investigate, it is just going to create a pile of documents with certifications that are not worth anything.” By this logic, we should not have stop sign laws, since poor drivers will run stop signs anyway!

The recent amendments adds the resources (one full time employee) and will use the increased licensing fees plus \$157,000 to cover the costs of investigating fraud, and holds the individual company's agents personally liable for false statements and misrepresentation as to nature of the incorporating business. It gives investigative and enforcement powers with limitations to the Secretary of State's office, so that it will indeed have the resources it needs to investigate shell company fraud. Furthermore, as the LFO's Steven Bender states ***“These amendments modify the requirements for the Department of Revenue to recommend administrative dissolution of a corporation, and allow the court to award attorney fees to the Attorney General for actions taken under the provisions of the bill.”*** These are strong deterrent measures.

Surely, it makes good business sense to spend a small portion of what we are expected to collect from offshore tax haven accounts to ensure that Oregon can no longer be used as a tax haven.

We agree with the LFO's recommendation and whole-heartedly support HB 2191 with all of its *-A10* amendments.

We read the bills and follow the money