From the Desk of Representative Knute Buehler
K Buehler

Vote NO on HB 2067

H.B. 2067 would add several U.S. trading partners and close allies to the state's blacklist of tax haven jurisdictions. The blacklist threatens Oregon's global business reputation, undermines the state's ability to attract investment and job creation, and is out of sync with the global approach to this issue. Adding Switzerland and the Netherlands exacerbates these concerns.

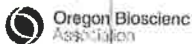
Openness to the global economy is crucial for Oregon's economy

Oregon's economic future will be built around the growth of key industries, like computers, wearables, electronics, robotics, health science, and clean tech to name a few – all of which rely on global connectivity to both attract investment and sell Oregon-produced goods overseas.

Participating in the global economy supports hundreds of thousands of Oregon jobs:

- Foreign direct investment (FDI) supports more than 200,000 Oregon jobs, including 52,000 direct jobs.[1] FDI jobs pay more than 30 percent higher than average private sector salaries nationwide.[2]
- Oregon exported almost $21 billion in goods, which supports 86,000 jobs. Over 86 percent of these exporting businesses are small/medium-sized businesses.[3]

The blacklist is a blunt instrument that harms economic development efforts



Blacklisting of specific countries as "tax haven" is arbitrary and unmanageable, and the OECD (the organization that originally created the blacklist) no long maintains a list.

The blacklist fails to distinguish between legitimate businesses operating in deemed tax havens from those firms using the nations as a tax shelter, imposing punitive taxation on corporations merely for being incorporating in a listed jurisdiction.

This policy disincentivizes firms with legitimate, non-tax motivated operations in deemed tax havens from growing in Oregon because they are taxed differently when they invest in the state.

The Multistate Tax Commission (MTC) and every other state except Montana has rejected it.[4]

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[1] Data is from the Jobs We Need Report, produced by the OFII & PwC, 2016.
[2] Data is the latest available from the Bureau of Economic Analysis, U.S. Department of Commerce.
[3] Data is the latest available from the Office of the U.S. Trade Representative.
[4] Since 2013, Rhode Island, Connecticut, and D.C. rejected the blacklisting approach, choosing to adopt an approach similar to H.B. 2672. *See also* STRI/COST's study: State Tax Haven Legislation: A Misguided Approach to a Global Issue, http://cost.org/WorkArea/DownloadAsset.aspx?id=92483.

Targeting the Netherlands and Switzerland exacerbates concerns:

No state has ever blacklisted the Netherlands or Switzerland, major U.S. trading partners, allies, and sources of FDI. Firms from these countries employ 876,400 U.S. workers, produce over $39 billion in annual U.S. exports, and account for over $540 billion in cumulative FDI flows into the United States. Dutch and Swiss firms have been investing in America for centuries and many have historical roots in Europe before the Constitution was ratified in 1787. Blacklisting these two nations could affect future growth from Dutch or Swiss firms.

There is another option: H.B. 2672 is a better approach

- The bill would change the state's tax haven policy from an arbitrary blacklist to a set of criteria that are designed to accurately capture corporate tax abuse activity.
- The bill would prevent legitimate, non-tax motivated transactions from being inadvertently targeted by a bill that is meant to go after bad actors.
- The bill would align the state's tax policies to the principles of bilateral tax treaties, negotiated to ensure transparency and ensure appropriate taxes are paid.
- This bill would give the Department of Revenue another tool to prevent tax evasion, by being able to apply the tax haven criteria test to each taxpayer's return and fact pattern.
- The bill would alleviate concerns of punitive taxation to any investor who has operations in a blacklist country – preventing harm to state economic development efforts.

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