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February 8, 2018

Members of the Oregon Senate Committee on Finance and Revenue
Delivery Method: *via email*

Re: Letter in Support of the -2 Amendments to S.B. 1529

Dear Chairman Hass and Committee Members:

On behalf of the Council On State Taxation (COST), I am writing in support of the -2 amendments to S.B. 1529. Specifically, COST supports the Committee's purposed repeal of the ORS 317.716 and 317.717 and inclusion of a 2017 credit for any amount of tax previously paid by a taxpayer pursuant to the addback required under ORS 317.716.

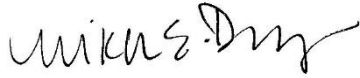
COST is a nonprofit trade association consisting of approximately 600 multistate corporations engaged in interstate and international business. COST's objective is to preserve and promote equitable and nondiscriminatory state and local taxation of multijurisdictional business entities. Many of COST's members do business in California and some of them conduct business through partnerships subject to the new BBA audit procedures.

COST has a long-standing policy position in opposition of tax haven legislation.¹ The repeal of Oregon's tax haven provisions (ORS 317.716 and 317.717) as part of its 2017 conformity legislation is a significant step forward and is grounded on sound tax policy. COST commends the Committee on this provision as well as the inclusion of a 2017 credit for any tax previously paid on tax haven income. COST would point out, however, that as currently drafted the credit in the -2 amendment may not provide a dollar-for-dollar credit to the extent that we believe the Committee has contemplated it should be applied. This is based on the ambiguity surrounding the specific amount of tax haven income that taxpayers were required to addback under ORS 317.716. This was an issue where taxpayers and the Oregon Department of Revenue often took different views and was an issue on appeal within the Department for many taxpayers. Based on the uncertainty and confusion that existed in prior years, COST would encourage the Committee to continue to clarify its intent as it relates to the 2017 credit.

¹ See <http://cost.org/globalassets/cost/state-tax-resources-pdf-pages/cost-policy-positions/cost-state-tax-haven-policy-statement-final-4-16-15.pdf>.

Again, COST fully supports the Committee's intent on this issue, but believes the -2 amendment provisions as it relates to this credit will require additional amendments. COST welcomes the opportunity to work with the Committee and the Legislative Revenue Office to achieve the policy goals of the Committee.

Sincerely,

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

Nikki Dobay

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