



## **SB 1529A This Federal Connection Bill that needs one fix**

Testimony for House Revenue – Jody Wisner – 2.22.2018

**We urge your passage of SB 1529A with three significant changes:**

- 1) Send the money generated from repatriated income to PERS rather than to the Rainy Day Fund. See SECTION 31. If SB 1566 can't be relied on to provide enabling legislation, insert the appropriate language into this bill. This is popular with legislators on both sides of the aisle.**
- 2) Do NOT end Oregon's Tax Haven legislation. Strike SECTION 35.**
- 3) Expand the DOR study of the impacts and countries to include under our Tax Haven law to additional study of the interactions between our law and the new federal law.**

**Why do we feel so strongly about studying rather than ending Oregon's Tax Haven law?**

There is no one at TFO who understands the workings of the Tax Haven Law, the new repatriation provisions or Corporate tax behavior, but we do know smart people to ask. Here is what Dan Buck and Kimberly Clausing said.

**Dan Buck, Consultant, former head of the Multistate Tax Commission and the Montana Department of Revenue where he initiated the first state tax haven legislation:**

I think that repealing the Oregon tax haven law and relying on the new federal law is a bad idea. It is far from clear if the new federal law will actually curtail abusive corporate shifting of profits overseas. While it closes a few overseas loopholes, it actually keeps other loopholes and escape hatches open. The federal law is also very complex. It is a contraption that operates something like this: Corporation Q's tax payments X will increase if (i) Y does not happen or (ii) Z decreases and AA increases and (iii) conditions H, I, J, or K are met—and (iv) if Corporation Q does not engage in increased profit-shifting via the still existing loopholes R, S, or T. The impact of the federal law in curbing corporate tax abuses is uncertain and unpredictable.

In comparison, Oregon's tax haven law is relatively simple and straightforward and, most importantly, works reliably and equitably to stop improper corporate profit shifting overseas.

I think it is a bad tradeoff to exchange Oregon's excellent law with a leaky, uncertain and unpredictable federal law. Oregon taxpayers are getting steamrolled by multinational corporations that are using a poor federal law to get out from paying the fair share of taxes they are now required to pay under the tax haven provisions now in effect.

**Kimberly Clausing, Professor of Economics, Reed College:**

Under the new law, there is still a substantial incentive to shift income to havens. The first ten percent return on assets is tax free, and then beyond that, the extra income is taxed at half the US rate. So, most companies will still prefer earning income in Bermuda to earning it in the United States. Thus, there is no reason not to keep the tax haven legislation, in my view.

From a pure economic incentives perspective, there is still a substantial incentive to shift profits offshore, and in fact in some respects that incentive has grown under the new law, since companies no longer need to worry about US tax upon repatriation.

The U.S. has moved to a territorial tax system, so we no longer tax foreign income upon repatriation, aside from a minimum tax that applies at half the US rate, after the first 10% rate of return (which is tax free)... before this law, we taxed at the US rate upon repatriation. There have been a bunch of news stories about the international provisions. Here is one opinion piece I did:

<http://fortune.com/2017/11/20/gop-tax-plan-donald-trump-america-first/>

*We read the bills and follow the money*

