



OBI SUPPORTS SB 1529-A

February 27, 2018

Oregon Business & Industry urges full connection to the federal tax code and the 2017 “Tax Cut and Jobs Act.”

The 2017 federal “Tax Cut and Jobs Act” (TCJA) is a major tax overhaul that substantially broadens the federal tax base to offset the costs of lowering the federal corporate income tax rate to 21%. Since Oregon is linked to the federal definition of income but is not tied to the federal corporate tax rate, our state stands to gain substantial additional revenues by connecting to TCJA. The LRO estimates that Oregon will see well over an additional \$1 billion in tax revenue from TCJA over the next decade.

As a result, OBI is supportive of SB 1529-A in its current form.

OBI members are particularly concerned about amendments to SB 1529-A that would restore Oregon’s tax haven law (ORS 317.716 - .717) and would oppose attempts to reinstate the tax haven statutes in light of new federal ‘global intangible low-tax income’ (GILTI) provisions in the TCJA.

The federal GILTI provisions in TCJA were added for the same reason that Oregon passed tax haven legislation in 2013 – a base-broadening attempt which purports to tax the income generated from business activity in low-tax countries. GILTI effectively targets the same profit-shifting that Oregon’s tax haven purports to tax.

In light of the new federal GILTI provisions, OBI opposes the restoration of Oregon’s tax haven law because it is (1) unnecessary and redundant, (2) will result in double taxation which will be the subject of litigation, (3) will continue the compliance difficulties which have resulted in over 100 current and active audits (which will again spawn more legal challenges), and (4) will continue to discourage direct foreign investment into Oregon by international firms that are targeted by Oregon’s tax haven provision and subject to double taxation for having an affiliate in a ‘blacklisted’ tax haven nation.

SB 1529-A is good legislation as is. For the aforementioned reasons, OBI would oppose the reinstatement of Oregon’s tax haven law back into the legislation.

Respectfully submitted,

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