



Oregon

John A. Kitzhaber, MD, Governor

Department of Revenue

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January 28, 2014

The Honorable Representative Phil Barnhart, Chair
House Revenue Committee
900 Court Street NE
H-383 State Capitol
Salem, OR 97301-4048

Dear Chairperson:

Nature of Request

The Department of Revenue (DOR) is reporting back to the 2014 Legislature on HB 2460 that asked for a report regarding out-of-state tax shelters. The department respectfully submits the attached executive summary and report as its response.

Agency Action

HB 2460 requested the following:

“[n]o later than February 1, 2014, the Department of Revenue shall make a report on the use of out-of-state tax shelters to the Seventy-seventh Legislative Assembly. The department shall use all data available to the department to prepare the report, which shall:

- (1) Describe methods by which taxpayers shift income otherwise taxable by this state to outside the state; and
- (2) Make recommendations for addressing noncompliance attributable to out-of-state tax shelters.”

The department’s response focuses on corporation income tax shelters (abusive and legitimate) and the discussion is divided into two categories: international tax shelters that impact both federal and state income tax liabilities; and domestic (United States) tax shelters that generally only impact state income tax liabilities.

The attached files titled *800-550 BN Tax Shelters* and *800-550 BN Tax Shelters ES* provides the department’s response to this request. The full report and executive summary are available through the Legislative Revenue Office.

Sincerely,

James C. Bucholz, Director
Oregon Department of Revenue