Oregon State Legislature
To House Committee on Revenue Members,

Dear Chairman Barnhart, Vice-Chair Bentz, Vice-Chair Pederson, and Members of the Committee:

On behalf of Shell Oil Company, a U.S. subsidiary of Royal Dutch Shell, plc, I am writing in opposition to H.B. 2099, a bill that modifies and generally expands the list of purported "tax haven" countries singled out for inclusion in the Oregon corporate income tax base. H.B. 2099 proposes to add the Netherlands to the list of jurisdictions already identified in the statute as tax havens. Shell Oil Company opposes this type of tax policy for many reasons and also believes the Netherlands is not a tax haven under any type of criteria test. The type of blacklist tax haven policy being proposed fails to distinguish between legitimate corporate actors and tax evaders, offers no safeguards, and imposes punitive taxation to all unitary firms in countries on the list.

First, this blacklist approach would assume that companies like Shell, resident in the Netherlands, but operating in Oregon are engaged in tax avoidance schemes or transactions simply by virtue of our foreign residence. In fact, our company is a long-time foreign investor in the United States. We have business operations in Oregon that include a terminal in Portland.

Second, no U.S. state has ever deemed the Netherlands a tax haven. Rather, the Netherlands is one of America's most important trading partners and sources of foreign direct investment (FDI). The Netherlands is the third biggest foreign investor in the U.S., and Dutch investment in the U.S. accounts for 685,000 jobs. The Department of Revenue has determined that the Netherlands should be added to the statute by applying a two-step definition used by the U.S. Multistate Tax Commission. A jurisdiction must first meet the criterion that a jurisdiction imposes no or nominal tax on corporate income. For the Netherlands, this is not the case. The Netherlands has a corporate income tax rate of 25%, and a lower rate of 20% is limited to the first €200,000 profit. The tax system is fully transparent and compliant with international standards. In fact, the OECD's Global Forum on Transparency of Information for Tax Purposes acknowledges in its 2014 Progress Report that the Netherlands---just like the U.S.—is largely compliant in the area of tax transparency.

As such, we feel strongly that any inclusion of the Netherlands on any tax haven list goes against internationally agreed standards and has the potential to harm all companies incorporated in the Netherlands. In addition, the proposed legislation potentially causes double taxation of foreign affiliates by taxing income streams in Oregon that have already been taxed in the home country.

For the foregoing reasons, I urge you to not include the Netherlands on the "tax haven" list proposed by H.B. 2099. There are no relevant facts to substantiate the claim that the Netherlands meets the criteria to be deemed a "tax haven."

Sincerely,

Michelle M. McGrath

Michelle McGrath
Vice President and General Tax Council
Shell Oil Company