May 27, 2015

House Revenue Committee
900 Court Street Northeast
Salem, OR 97301

RE: Smart Growth Coalition supports the (-8) amendments to HB 2099 (Unitary Reporting)

Chair Barnhart and Members of Committee,

In 1984, Gov. Atiyeh and legislative leadership understood that Oregon was on the brink of significant international investment during a time when the state's economy was struggling to emerge from the recession of the early 1980s. Our leaders were committed to laying the framework for a diversified economy that relied on industries other than timber, and provided a foundation for new industries to emerge, such as technology and heavy manufacturing. In order for this to be accomplished, they first needed to address a fundamental weakness in Oregon's tax regime—its assessment of the foreign income of unitary corporations.

Large companies throughout the world—such as Mitsubishi, Westinghouse Electric, NEC America, and Epson America—raised interest in locating and expanding their operations in Oregon. However, these companies raised concerns about the irregular tax treatment of not just local but all business activity. In fact, I recall the Portland Development Commission returning from a two-week trade mission to Japan reporting, "It's getting to the point where Oregon is virtually being blacklisted in Japan because of the unitary tax." The legislature opened the doors for business investment by repealing the tax and Oregon benefitted greatly.

The Smart Growth Coalition, whose members are comprised of corporations in the technology and manufacturing sectors, is dedicated to fiscally sound policies for Oregon's business climate. Initially, we were alarmed over the provisions introduced in HB 2099. Clearly, the legislation was an attempt to circumvent accounting mechanisms used by bad actors to evade proper assessment. If passed, however, the measure would punish the majority for the sake of catching the few who try to gain the system.

Our coalition is encouraged by the introduction of the (-8) amendments to HB 2099. Oregon must address these concerns through more stringent policies that deter companies from behaving in such a way, which can be done by pursuing triggers allowing the Department of Revenue to be both thorough and vigilant over transactions between unitary groups. The amendments under your consideration would accomplish this goal.

Ultimately, the objective of any administrative change in the state's tax structure should be to allow the system to be more efficient and accumulate legitimate revenues owed to the state. HB 2099 is an opportunity for the state to address illicit profit shifting to foreign countries with zero or nominal tax rates simply for the purposes of avoiding revenue owed to the state. Most importantly, this measure is a way to accomplish this goal without undermining the progress of previous legislatures.

Sincerely,

Paul Phillips
on behalf of the Smart Growth Coalition