



April 11, 2019

TO: Joint Committee on Student Success
FR: Charlie Fisher, State Director, Oregon State Public Interest Research Group (OSPIRG)
RE: Complete Reporting

OSPIRG is a statewide, citizen-based organization representing thousands of Oregonians.

OSPIRG urges the committee to add complete reporting to the currently proposed revenue package. Doing so would increase revenue for important services and make sure the tax code isn't being gamed by some companies at the expense of others and taxpayers at large.

Put simply, complete reporting, also known as worldwide combined reporting, would implement a tax change that was in place as early as the 1980s in Oregon and remove the incentive for large multinationals to artificially shift their profits to overseas tax havens. **Recent research estimates that making this fix could bring in between \$350-\$376 million per budget cycle.**^{1 2}

Tax havens are countries or jurisdictions with very low or nonexistent taxes—often small island nations like Bermuda or the Cayman Islands—to which firms transfer their earnings to avoid paying taxes in the United States. So instead of paying corporate tax rate in Oregon, they can pay close to nothing, even if the profits are attributable to business done in the state.

There are numerous ways companies can take advantage of offshore tax havens. Some transfer their patents or trademarks to subsidiaries located in tax havens and spend their domestically earned income to pay tax-deductible royalties to the subsidiary to use the patents or trademarks in America. Other companies engage in “earnings stripping” in which companies in the United States borrow money from subsidiaries in a tax haven and then deduct their interest payments from their taxable income.

Despite claims to the contrary, the Tax Cut & Jobs Act, passed in 2017 did not come close to adequately addressing the issue of offshore tax havens. Research from 2018 suggests that American companies will continue to shift \$289.9 billion each year out of the country.^{3 4} We already know the consequences when companies avoid paying their taxes. It means everyone else has to pick up the tab, either through higher taxes, reduced services, or both. Local businesses in Oregon are also affected. Because they don't have the resources or desire to set up subsidiaries in tax haven countries, they often have to operate on an uneven playing field when large corporations are able to artificially reduce their tax rate.

Complete reporting would help prevent this profit-shifting from eroding Oregon's tax base by requiring a company to report their total, global profits, and the portion of that overall business done in Oregon. So for example, if Oregon made up 2 percent of a company's global business, then 2 percent of their taxable profit would be subject to the state's tax rate.

Now to be clear, this isn't about what the proper level of taxation should be or who should and shouldn't pay taxes. Those are matters that reasonable people can disagree on and can and should be settled through the rest of the debate happening today and throughout the session. This is much simpler than that. This is about making sure that once we decide what the tax rate should be and who should pay, everyone should have to play by the same rules.

Hopefully, everyone can agree that being able to afford expensive accountants shouldn't grant you a lower tax rate. When large corporations are able to use accounting gimmicks to avoid paying their taxes, everyone suffers, either through reduced services, higher taxes, or both.

We urge you to include complete reporting in any revenue package passed this session.

¹ [Oregon Can Raise \\$376 Million by Clamping Down on Offshore Corporate Tax Avoidance](#), Oregon Center for Public Policy, November 2018.

² [A Simple Fix for a \\$17 Billion Loophole](#), OSPIRG Foundation, January 2019

³ [Profit Shifting Before and After the Tax Cuts and Jobs Act](#), Kimberly Clausing, October 2018

⁴ [Post-TCJA, International Corporate Tax System Still Leaking Hundreds of Billions in Profits](#), Institute on Taxation and Economic Policy, November 2018