

# SMART GROWTH COALITION

June 6, 2019

Chair Mark Hass  
Senate Finance & Revenue Committee  
900 Court Street NE  
Salem, OR 97301

## **RE: Support for the -6 amendment to SB 851**

Dear Chair Hass and Members of the Committee,

Thank you for the opportunity to work with the committee and staff on this highly technical area of conformity. These comments submitted by the Smart Growth Coalition are in support of SB 851 as amended with the -6 amendment.

### **About the Smart Growth Coalition**

The Smart Growth Coalition is a consortium of traded sector businesses with significant operations in Oregon. Our coalition was formed in 1999 to add technical expertise to state legislative proceedings regarding proposed reforms to state tax law affecting businesses who have made investments in jobs and capital projects in the state. Our members are unified in their commitment to sound tax policies that encourage local investment in Oregon and provide technical simplicity and clarity to the state tax code.

### **-6 Amendment Provides Clarity & Certainty for Taxpayers**

The -6 amendment is the byproduct of weeks of conversations with committee staff, the department and taxpayers in an effort to articulate a defined statutory process for including global intangible low-taxed income (GILTI) in the state tax base. We had previously raised concerns regarding the ambiguous treatment of this income and the potential for tax litigation in the absence of legislative action. The amendment addresses those concerns by specifying the method for including this income in the tax base.

At a high level, the amendment achieves the following:

- Recognizes the inclusion of global intangible low-taxed income (GILTI) in the state tax base.

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- Specifies the Oregon Dividends Received Deduction (DRD) is applied to GILTI.
- Prevents a counterintuitive double-deduction of foreign-source dividends, which now receive a full deduction under federal law.
- Recognizes constitutional factor relief for the amount attributable to GILTI.

We believe this response to the new federal tax treatment of foreign income is appropriate for Oregon. It makes sense to apply the Oregon DRD as the policy mechanism for addressing GILTI because taxpayers are already accustomed to this method of treatment for other sources of foreign income. Ultimately, our members recognize they may pay more in taxes to Oregon as a result of this legislation but the method outlined in the amendment provides certainty, and we offer our support to achieve it.

Thank you for allowing us to submit these written comments in support of the -6 amendment to SB 851 to the official record.

Sincerely,

Jeff Newgard  
Executive Director