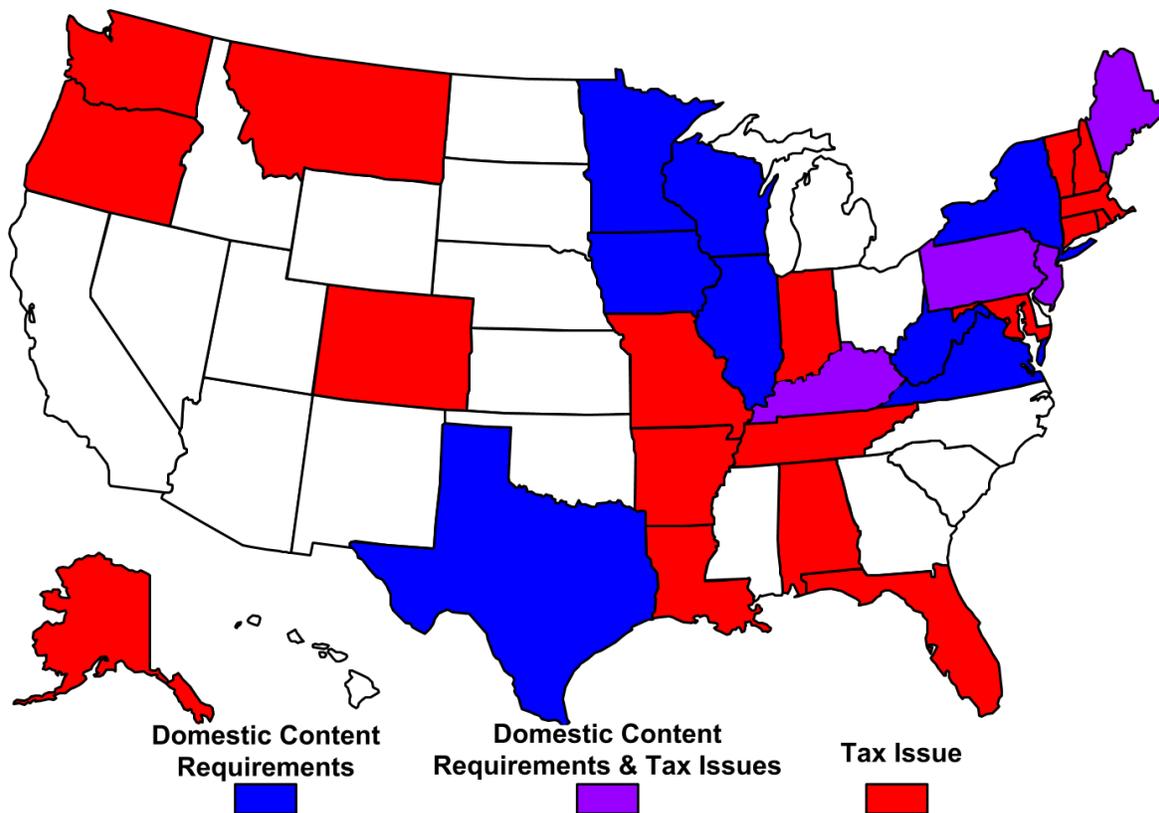


OFII State Affairs Heat Map and Issue Primer

OFII HAS BEEN ACTIVE IN 29 STATES SINCE 2014 AND HAS SUCCESSFULLY DEFEATED POLICIES IN EACH THAT WOULD HAVE NEGATIVELY IMPACTED FDI

OFII works to ensure non-discriminatory treatment of U.S. subsidiaries of global companies by identifying problematic bills and leading efforts to defeat these measures. OFII's state issue work generally covers two different types of proposals: those that would impose extraterritorial double taxation or mandate domestic content requirements in state procurement markets. Defeating these bills keep states attractive to FDI. In addition, OFII educates lawmakers about FDI's economic benefits and is a resource to state officials in their global business recruitment efforts.



About OFII

Created more than 25 years ago, OFII is a non-profit business association in Washington, D.C. representing the U.S. operations of many of the world's leading foreign companies, which insource millions of American jobs. OFII works to ensure the United States remains the top location for global investment. As such, OFII advocates for fair, non-discriminatory treatment of foreign-based companies and promotes policies that will encourage them to establish U.S. operations, increase American employment, and boost U.S. economic growth.

State legislative issue overview since 2015

Since 2015, state legislators have introduced numerous bills that would be extremely problematic to U.S. subsidiaries. OFII opposes measures that would lead to double taxation of U.S. subsidiaries in legislation or audit, like broad tax haven policies or extraterritorial combined reporting. OFII also fights Buy America bills that prevent companies with global supply chains from bidding for state and local contracts.

States Pursuing Troublesome Policy



Domestic content legislation

Overview: These proposals would limit procurement contracts to products made with certain percentages of domestic content, sometimes as high as 100 percent.

OFII concern: Companies with global supply chains would face challenges in meeting these restrictive domestic content requirements and be unable to compete for contracts. These bills make the U.S. less competitive for FDI.

States pursuing: IA, IL, KY, ME, MN, NJ, NY, PA, VA, TX, WI, WV

Tax Haven Legislation

Overview: These proposals aim to combat perceived abusive income shifting by imposing tax on businesses that operate in deemed tax haven jurisdictions. These proposals either label specific countries as tax havens in statute or establish a set of criteria to judge whether or not a jurisdiction is a tax haven.

OFII concern: These policies are broadly drafted and usually target legitimate business activities in deemed tax havens. Such policies misalign with international tax norms and lead to double taxation of cross-border income streams.

States pursuing: CO, CT, DC, FL, KY, MA, ME, MT, NH, OR, PA, VT

Combined reporting legislation

Overview: This tax system is designed to prevent companies from lowering their tax burden by shifting income to affiliates in other jurisdictions. Under combined reporting, a company files one combined tax return that includes the income of all unitary affiliates (i.e. companies that are commonly owned and connected by business activities).

OFII concern: Without a clear and true water's edge rule, these proposals will often include income of foreign affiliates in a U.S. subsidiary's combined return. These policies misalign with international tax norms and lead to double taxation of cross border income streams.

States pursuing: AL, CT, IN, KY, LA, MD, MO, MT, OR, PA

Extraterritorial audit activity

Overview: State-level Departments of Revenue often claim economic nexus over income received by non-U.S. companies.

OFII concern: These nexus claims pursue tax over income already taxed by another country, leading to double taxation and violation of international tax principles.

States pursuing: AL, AK, AR, MA, OR, WA

Other

Economic nexus legislation: TN

Extraterritorial legal jurisdiction legislation: NY

Corporate inversion legislation: NJ