January 17, 2023

Chair Laurie Sanborn, House Ways & Means Committee
Legislative Office Building, Room 202
33 N. State St.
Concord, NH 03301

Re: HB 121 Worldwide Combined Reporting Legislation Will Hurt New Hampshire's Economic Competitiveness

Dear Chair Sanborn & Members of the Ways & Means Committee:

On behalf of the Global Business Alliance (GBA), I am writing to express our opposition to HB 121. The repeal of the water's edge provisions as proposed would not only misalign New Hampshire with all other state approaches but also be inconsistent with federal income tax and international norms.

GBA proudly represents nearly 200 American companies with a global heritage. Over 500 international companies in New Hampshire employ more than 50,000 with nearly half of those jobs in the manufacturing sector. Growth in employment at these firms rose by 22 percent over the past five years, while the state's overall private-sector employment decreased by 1.2 percent.[1] Nationally, these international companies pay American workers an average compensation of $84,800 annually in wages and benefits. Global investment helps strengthen New Hampshire's economic resiliency. For more information, see how our members support the state here.

To date, every state with combined reporting has opted for a true water's edge methodology, including New Hampshire. If the state were to pursue a worldwide combined reporting approach, it would make New Hampshire a complete outlier in terms of the corporate income taxation of multinationals and could create double taxation for many large employers.

If passed, HB 121 could disregard the intent of our nation's tax treaties and unnecessarily strain economic ties with the rest of the world at a time when global connections are more vital than ever. In the past, some foreign governments even enacted retaliatory action in response to states seeking to adopt such a tax structure without a true water's edge system. Worldwide combined reporting proposals may also cause significant disputes with New Hampshire's largest international trading partners. Some of the top export markets for Granite State products (e.g. Canada, the Netherlands and the United Kingdom) are home to the top foreign direct investors in New Hampshire[2].

HB 121 would adversely affect all international companies wishing to create jobs or invest in the state due to overly burdensome reporting requirements, along with possibly decreasing total revenue to the state from existing multinationals. GBA will continue to offer to be a resource with the state's study commission as created last year under HB 102. We urge the committee to consider how this proposed tax policy may impact job providers in your state.

[1] All figures are based on the Bureau of Economic Analysis (BEA), Survey of Current Business, Activities of U.S. Affiliates of Foreign Multinational Enterprises in 2020 released August 2022.
[2] Export data from International Trade Administration at U.S. Department of Commerce.

If you have questions, please contact me at mbeeson@globalbusiness.org or at (202) 770-5141.

Sincerely,



Meredith Beeson
Senior Director, State Affairs
Global Business Alliance

GLOBAL BUSINESS ALLIANCE

Investing in America

Foreign Direct Investment Strengthens NEW HAMPSHIRE'S ECONOMY

QUALITY JOBS

49,800 workers in New Hampshire are employed as a result of international investment.

MANUFACTURING

22,100 workers in New Hampshire - **44 percent** of all FDI jobs in the state - are in the **manufacturing sector**.

GLOBALLY CONNECTED

Among all international employers, those from the **United Kingdom**, **Canada** and **Japan** support the largest number of jobs in New Hampshire.

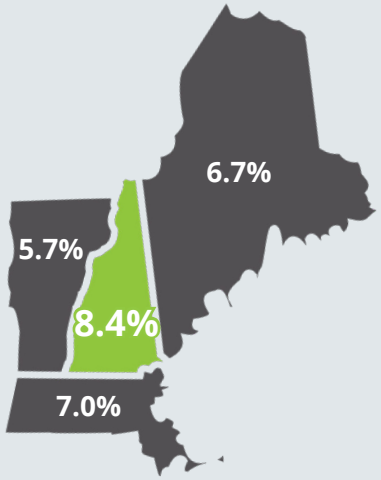
MANY EMPLOYERS

Nearly **520 international employers** have operations in New Hampshire.

INTERNATIONAL INVESTMENT CONTRIBUTES TO NEW HAMPSHIRE'S ECONOMY

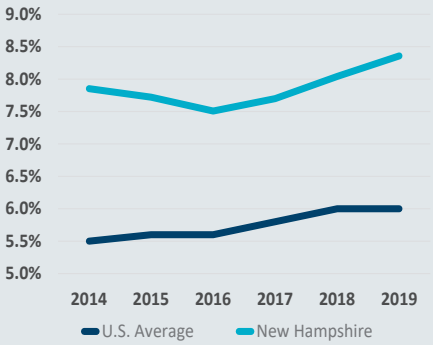
New Hampshire vs. Its Neighbors

FDI Jobs as a % of Total Employment



New Hampshire vs. USA

FDI Jobs as a % of Total Employment



New Hampshire beats the national average in its portion of jobs supported by international investment.

From 2014 to 2019, New Hampshire's FDI employment...

14%

while the state's overall private-sector employment

7%

DISCOVER THE FULL LIST OF GBA MEMBERS

More than 200 international companies comprise GBA's membership, representing a slice of the U.S. economy that provides over seven million high-quality jobs that pay an average of 18 percent higher compensation than the economy-wide average. Our members are some of the largest international employers in the country. Browse through our membership list using the QR code.

Figures based on the Bureau of Economic Analysis (BEA), Survey of Current Business, *Activities of U.S. Affiliates of Foreign Multinational Enterprises in 2019*, released August 2021.

GLOBAL BUSINESS ALLIANCE

Investing in America

Foreign Direct Investment Strengthens AMERICA'S ECONOMY

MANUFACTURING

International companies supported **69%** of the new manufacturing jobs created in the past five years.

INNOVATION

International companies spend more than **$71 billion** on U.S. R&D activities, or **15%** of all R&D performed by U.S. companies.

EXPORTS

U.S. workers of international companies produce **24%** of U.S. exports, shipping **$397 billion** in goods to customers around the world.

SUPPLY CHAINS

For every U.S. job at an international company, **three more** are supported in the U.S. economy.

TAX

International companies pay **25%** of all federal corporate income taxes.

Record Number of FDI Jobs

7.9 MILLION Nationally, 7.9 million U.S. workers are employed by international companies.

Good Paying Jobs

$83,705 Across the nation, U.S. workers at international companies earn 18 percent higher compensation than the economy-wide average - making $83,705 annually.

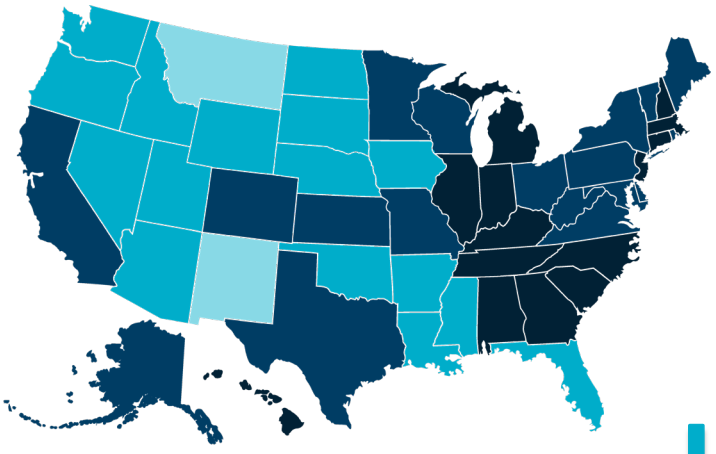
Current Employers Drive Growth

50% Last year, FDI in the U.S. was driven largely - 50 percent - by reinvesting earnings from current employers, above the historic trend.

From 2014 to 2019, America's FDI employment... ↑ **20%**

while the country's overall private-sector employment ↑ **9%**

Share of Foreign Direct Investment Jobs by State



Percent of Total Private-Sector Employment Supported by Global Investment

0.1%-2.9% 3.0%-4.9% 5.0%-6.9% >7.0%

Foreign Direct Investment in America by Country

Figures based on the Bureau of Economic Analysis (BEA), Survey of Current Business, *U.S. International Transactions*, released September 2021; *Activities of U.S. Affiliates of Foreign Multinational Enterprises in 2019*, released August 2021.

Mandatory Worldwide Combined Reporting Talking Points

Combined Reporting Basics

- Under combined reporting, a group of companies files one tax return based on the combined income of an identified "unitary group."
- The two typical approaches to combined reporting are optional worldwide combined reporting and water's edge combined reporting.
- Twenty-seven states have adopted some form of combined reporting, but the specifics vary by state as to which companies and types of income are included in a "unitary group."
- States such as Virginia and Maryland have studied combined reporting and decided not to pursue these policies.

What is a "water's edge" approach and why is it so important?

- Worldwide combined reporting looks to tax the apportioned income of an entire global unitary group.
- To date, every state that allows worldwide combined reporting has opted for a true water's edge option whereby only certain limited foreign affiliates and income may be brought into the combined group.
- Any state that would pursue worldwide combined reporting without a true water's edge option would be an outlier in the income taxation of multinationals, potentially creating double taxation of income and inviting retaliation from foreign countries.
- Every state with combined reporting respects the water's edge boundary.
- Without a true water's edge boundary, a myriad of challenges is created for taxpayers and state tax administrators, including managing cross-border currency conversions, different accounting standards and reporting requirements, and language barriers.
- Using the water's edge boundary, state administration of combined reporting is simpler and more efficient, making company compliance easier.

Mandatory worldwide combined reporting creates revenue volatility and will cause litigation.

- Any form of combined reporting may result in increases or decreases in a state's revenue, given that it may increase or reduce a taxpayer's liability, but this is especially true with worldwide combined reporting. There will also be significant audit activity and prolonged litigation exposure.

Is there worldwide combined reporting in other states?

- Of the small minority of states that even have worldwide combined reporting, it is only an OPTION, and each provides for a true water's edge designation.
- Minnesota decided not to adopt a mandatory worldwide combined reporting bill this year.
- Maine studied mandatory worldwide combined reporting but decided not to pursue such a policy.

Every state that has considered a mandatory worldwide combined reporting scheme has rejected it.

- Mandatory worldwide combined reporting threatens to impose significant double taxation on non-U.S. companies, is inconsistent with state, federal and international tax norms, and violates principles of U.S. tax treaties.
- Imposing mandatory worldwide reporting will hurt efforts to attract and retain international companies and damage the state's competitiveness.
- Mandatory worldwide reporting will create disputes with treaty partners. In the past, some foreign governments have even enacted retaliatory action in response to states seeking to adopt a tax structure without a true water's edge system.

The federal government does not impose worldwide combined reporting.

- The federal government has not had a bill to implement a worldwide combined reporting policy.
- In 2021, approximately 140 countries, including the U.S., agreed to a minimum 15% corporate global minimum tax. The details, mechanics and implementation are still to be worked out.