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HOUSE BILL 2142

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State of Washington                      58th Legislature                      2003 Regular Session

By Representatives Conway, Upthegrove, Campbell, Cooper, McCoy, Dunshee, Hudgins, Simpson, Santos, Kenney, Cody and Berkey

Read first time 02/26/2003.                      Referred to Committee on State Government.

1            AN ACT Relating to protecting taxpayers and shareholders from  
2 expatriate corporations; and adding a new section to chapter 43.19 RCW.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4            NEW SECTION.    **Sec. 1.** A new section is added to chapter 43.19 RCW  
5 to read as follows:

6            (1) The legislature finds and declares:

7            (a) A growing number of publicly traded companies based in the  
8 United States are flouting United States taxation and legal protections  
9 of investors by reincorporating, in name only, in Bermuda, the Cayman  
10 Islands, and other tax haven countries;

11            (b) This practice, also known as "corporate expatriation," is part  
12 of a larger pattern of deception and lack of integrity in the corporate  
13 boardroom that has harmed the marketplace and investors;

14            (c) An expatriate company is a United States based company that has  
15 moved in name and on paper only to a tax haven country and has no  
16 substantial business activities in the country of reincorporation;

17            (d) These paper relocations result in a substantial weakening of  
18 shareholders' rights and significant tax avoidance;

1 (e) The congressional joint committee on taxation has projected  
2 that United States revenue losses from corporate expatriations are  
3 estimated to be six hundred twenty-eight million dollars over five  
4 years and two billion one hundred twenty-eight million dollars over ten  
5 years; and

6 (f) For these reasons, it is not in the best interests of the state  
7 and its citizens to use public funds to do business with publicly held  
8 expatriate companies.

9 (2) A state agency may not enter into any agreement or contract  
10 with any publicly held expatriate corporation. The awarding agency  
11 director or his or her designee may waive the prohibition in this  
12 subsection if he or she makes a written finding that the contract is  
13 necessary to meet a compelling public interest.

14 (3) Each vendor submitting a bid or contract must certify under  
15 penalty of perjury that it is not a publicly held expatriate  
16 corporation.

17 (4) The definitions in this subsection apply throughout this  
18 section.

19 (a) "Compelling public interest" includes, but is not limited to,  
20 ensuring public health and safety, or the provision of essential  
21 services in an emergency.

22 (b) "Tax haven country" means a country that has no corporate  
23 income tax or an effective tax rate less than ten percent on income  
24 that does not arise in or is not derived from that country. A tax  
25 haven country does not include any country that is a signatory to a  
26 treaty that would contravene this prohibition.

27 (5) This section may be known and cited as the taxpayer and  
28 shareholder protection act.

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