



EMBASSY
OF THE PRINCIPALITY OF LIECHTENSTEIN

BOTSCHAFT
DES FÜRSTENTUMS LIECHTENSTEIN

EXHIBIT 1
DATE 3-11-13
HB 578

The Honorable Mike Miller
Chairman
Montana House Committee on Taxation
20906 MT HIGHWAY 141
HELMVILLE, MT 59843-9025

Washington, March 6, 2013

Dear Representative Miller,

On behalf of the Government of the Principality of Liechtenstein, I am writing to express my support of HB 578 which seeks to eliminate "the listing of countries that are considered a tax haven for corporation license tax purposes and the water's-edge election" coming before your committee. We believe that HB 578 would bring the State of Montana on par with policies recognized by the US federal government.

As you know, Montana is the only state within the United States that maintains a list of "tax havens" as contained in Montana Code - Section 15-31-322(1)(f). Liechtenstein shares the State of Montana's same interests and concerns in proper and fair tax collection. However, we feel that this law, along with the proposed amendments to Montana Code - Section 15-31-322 contained in the Montana State Senate's SB 309, are an affront to and would undermine Liechtenstein's positive and constructive partnership with the US federal government.

In naming Liechtenstein as a "tax haven" and "nonexempt country" respectively, Montana Code - Section 15-31-322 and draft bill SB 309 unfairly place Liechtenstein in a category that no longer reflects its current laws and policies with the US pertaining to tax information sharing or how Liechtenstein is officially recognized by the US and internationally.

Over more than a decade the Principality of Liechtenstein has built and maintained an engaged partnership with the United States in the fight against financial crimes. In 2002 Liechtenstein signed a Mutual Legal Assistance Treaty (MLAT) with the United States. Pursuant to that agreement, the two countries have worked together on a variety of issues including corruption, financial crime

cases and the forfeiture of substantial assets. Liechtenstein remains committed to responding comprehensively to any US request for legal assistance.

In addition, in 2008 Liechtenstein and the United States signed a Tax Information Exchange Agreement (TIEA), based on the US Treasury Department's model TIEA text. The Agreement called for necessary amendments to Liechtenstein law, which were adopted by the Liechtenstein Parliament in 2009. Now fully in place, the TIEA allows for Liechtenstein and the United States to work closely together on a full range of tax issues, including tax fraud and tax evasion. The TIEA provides for information exchange upon request and direct cooperation between the two countries' tax and judicial authorities.

Through these legal mechanisms Liechtenstein continues to partner with US federal agencies such as the Department of Treasury, Internal Revenue Service, and the Department of Justice in investigating and bringing financial criminals to justice. In addition, Liechtenstein regularly engages with the US Congress, working with pertinent committees of the House of Representatives and the Senate, in order to educate members and their senior staff on Liechtenstein-US cooperation and specific cases of financial crime.

Liechtenstein is also currently underway in negotiating an intergovernmental agreement with the United States which will oversee the implementation and enforcement of the Foreign Account Tax Compliance Act (FATCA).

In considering Liechtenstein's engaged partnership with the US in fighting financial crimes, the inclusion of Liechtenstein as a "tax haven" or "nonexempt country" in Montana State law will likely have negative effects on Liechtenstein's image, perpetuating misinformation and putting into question its commitment in maintaining a high level of transparency with the US on the issue of tax information exchange, something Liechtenstein has taken robust action on in implementing not only international standards of transparency but also by concluding nearly 30 bilateral agreements, like those with the US, specifically addressing the sharing of tax information. On March 12, 2009 Liechtenstein issued an historic Declaration committing the country to global standards of transparency and exchange of information as developed by the Organization for Economic Cooperation and Development (OECD) of which the United States is a member. On November 11, 2009 the OECD recognized Liechtenstein as a jurisdiction which has fully implemented international cooperation standards by removing it from the OECD's list of non-cooperating states in tax matters. Since then Liechtenstein continues to be recognized by the OECD as a jurisdiction having implemented the internationally agreed tax standard.

The United States government does not formally recognize nor maintain lists of jurisdictions such as those proposed by SB 309 or the list of "tax havens" presently contained in Montana Code - Section 15-31-322(1)(f). As noted above, the only official body maintaining a list of jurisdictions as related to international cooperation in tax matters is the OECD, which currently lists Liechtenstein as compliant. In recognition of this, Montana is the only state within the US that

possesses such a law listing specific jurisdictions. I would like to emphasize once again, the lists of jurisdictions contained in SB 309 and Montana Code - Section 15-31-322 are not recognized by any US state, US federal institution or multilateral organization.

As to Liechtenstein's relationship with the State of Montana, though Liechtenstein does not have a significant economic presence in your state, SB 309 and the current law Montana Code - Section 15-31-322 will likely discourage or become an impediment to future investment opportunities.

As Liechtenstein and the United States continue to work together to fight important issues such as terrorist financing, money laundering and tax evasion, we are very encouraged by and highly support HB 578 as it would bring the State of Montana in line with Liechtenstein's officially-recognized status by the US government so as to foster a more effective and compatible partnership.

I kindly request that this letter be placed on the record.

Sincerely,

A handwritten signature in black ink, appearing to read 'Claudia Fritsche', written over a circular stamp or mark.

Claudia Fritsche
Ambassador

cc: Members, Montana House Committee on Taxation