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April 18, 2011

State of Oregon  
Joint Committee on Tax Credits

Dear Committee Members,

**RE: Extension of the Oregon Qualified Research Activities Credit (HB 3174/SB 315)**

I am Mark Modjeski, the Tax Director for Tektronix, Inc and I am here today to testify on behalf of extending the sunset date for the Oregon Research Credit.

I imagine that most of you on the Committee know something about Tektronix. We manufacture precision test, measurement, and monitoring equipment that enables our customers to deploy next generation technologies. Tektronix was founded in Oregon in 1946 and continues to have its headquarters operation, and most of its engineering presence, in Oregon (at its Howard Vollum campus in Beaverton). Tektronix was acquired by Danaher Corporation in November of 2007 and today joins in the filing of a consolidated Oregon corporation excise tax return with other Danaher affiliates.

Tektronix's customers are predominantly in the semiconductor industry and the telecommunications industry, but our products are widely used by customers in other industries worldwide including military/aerospace, consumer electronics, education, and many others.

Tektronix began as, and continues to be, an engineering company. Many of the employees on the Beaverton campus work in the engineering groups designing the company's test equipment products. Most of these engineers have bachelors, masters, or PhD degrees in electrical engineering or mechanical engineering, math, or physics.

Enabling innovation is our business. More than sixty five percent of Tektronix's annual revenues are derived from products that were introduced into the marketplace within the past 3 years. Tektronix's annual worldwide investment in research and development has historically been between 12 and 18 percent of total sales. If Tektronix did not continue to invest in R&D, and continue to innovate, competitors would provide our customers with the test, measurement, and monitoring solutions that they need, and Tektronix would cease to be a viable business.

## **Tektronix's Qualified Research Activities in Oregon**

With respect to the performance of qualified research activities by Tektronix's personnel in Oregon, and the results of those activities, I can provide the Committee with the following information:

**Headcount of Personnel in Oregon performing R&D:** between 400 and 500 full time employees (predominantly engineers). The company also utilizes many contractors in Oregon who also perform engineering design services;

**Average Total Pay for Employees performing R&D in Oregon:** between \$100k and \$130k;

**Average Length of Service with Tektronix:** > 17 years;

**Number of US Patents Granted to Tektronix during its existence:** > 2,700;

**Average Number of Patent Applications each Year:** > 50;

**Worldwide Vitality Index:** > 65%;

**Worldwide Investment in R&D:** ~ 12% to 18% of total sales

Tektronix generates both federal and Oregon research credits. The research credits are based predominantly on the wages paid to Tektronix's engineers who are engaged in performing the qualified research activities. For the Oregon research credit, the qualified research activities must be performed in Oregon and not in any other state or country.

Tektronix benefits from both the federal and Oregon research credit regimes in a meaningful way. The federal and Oregon research credits produce cash flow benefits in the form of lower cash taxes paid. That cash flow is reinvested in Tektronix's business in the form of additional R&D, increased headcount, and expanded budgets for the other operations of the company.

Tektronix believes that the Oregon Research Credit both attracts companies performing R&D to Oregon and retains companies in Oregon performing R&D now. The Oregon Research Credit also serves to say that Oregon is open for business with respect to encouraging the development of innovative technologies. Over time, those innovative technologies can and do spawn other businesses that then increase the total business activity in Oregon and should produce additional tax receipts for the State.

Tektronix urges you to retain the Oregon Research Credit, and not let the law sunset at the end of this year.

Yours very truly,



Mark Modjeski, CPA  
Tax Director