



## **Semiconductor industry incentives**

Joint Semiconductor Committee – Eileen Kiely – 1.25.2023

My name is Eileen Kiely. I am a volunteer with Tax Fairness Oregon, and I was the Operational Controller for the Parts Division of Daimler Trucks North America during the failed attempt to relocate corporate headquarters to South Carolina.

Daimler is an excellent employer, with a world class finance team. And one of the many financial disciplines I learned is that we never created a job, bought a piece of equipment, nor sited a building based on tax policy. We made our decisions based on EBIT – earnings before interest and taxes. To a well-managed company, there is no such thing as a tax incentive based decision. If it does not raise your revenue or cut your operating cost, don't do it.

Once we had chosen a site in South Carolina, the Tax Department negotiated with three different municipalities to try to get a better tax deal. The community we chose refused to give a break on school property taxes – and made the argument that the reason we wanted to site there was because of the excellent schools. The decision was based on the price of the land, not tax deals. Our Tax Department also negotiated with the state of South Carolina for tax credits for training and hiring – activities we would have done anyway. The tax group did not even report to North American Operations. Taxes were consolidated at the corporate level in Germany. Our CEO never even saw our tax returns.

As the operations controller I worked with our warehouses to buy equipment, and also to site a new warehouse location. It was also my responsibility to enforce the financial discipline that the decisions were only a matter of increasing revenue or decreasing cost. The Tax Department would report any credits to Germany, not to our US operations. Tax benefits were explicitly excluded from the template we used to evaluate investments.

The industry members who testified here today spoke to the need for upfront cash. This is a more effective way to finance operations because it is income to the manufacturer, and a high priority in the investment equation. Cash investments are a more targeted and cost-effective method; broad based tax credits will in many cases pay corporations for work they must do anyway to stay competitive.

Oregon has a distinct competitive advantage, and it was a factor in Daimler's failure to complete its relocation to South Carolina. It is Oregon itself – people want to live and work here. The number employees who relocated were far below the projections, even with an incredibly generous relocation package. The talent was unwilling to leave Oregon.

Using poorly targeted tax expenditures may cost Oregon the very things that make it so livable. We need to invest in higher education to provide the trained workforce businesses need, and K-12 education that make workers want to raise their families here. We need infrastructure to move

product to and from companies, and move workers and customers to Oregon's businesses. We must provide energy and water to run their plants and provide for their employees' homes. And we need homes that workers can afford.

To keep Oregon the place live, and love, we cannot waste revenue on tax credits that do not get Oregonians the results they need. Daimler enforced fiscal responsibility in its operations. I look to the Oregon Legislature to do the same.

*We read the bills and follow the money*