



SB 669: Respect the dead: Don't revive the R&D

Senate Finance and Revenue – Jody Wisner – 2.28.2023

Chair Meek, Vice Chair Boquist, members of the committee:

The evidence favoring revival of the R&D tax credit is weak. [As OCPP has shown](#), Washington and Oregon ended their R&D credits in 2015 and 2017, respectively, yet they remain among the top four states for R&D spending. Supporters note that Oregon is among only 12 states without an R&D tax credit. They cite no evidence of its efficiency or results in those 38 states. If tax credits worked, wouldn't those states lead in research?

If this bill passes, it will benefit roughly 160 of Oregon's 500,000 private businesses. We believe the likely pay out in tax credits used would be \$64 million in the coming biennium.* Any new business efforts stimulated by the CHIPS Act would raise the cost even higher.

In 2017, fewer than 160 businesses used \$21 million in tax credits—0.35% of the \$6 billion they spent on R&D. This tax credit was not why they did research. With no Oregon tax credit since 2017, annual R&D spending in Oregon increased to \$10 billion by 2020.

Our estimate is based on an [LRO study](#). In 2014, most of the credit value was claimed by companies with no taxable income (45%) or more than \$10 million in taxable income (48%). That is, nearly half of the companies could not use their credits and carried them over (some never using them). Even large companies carried over about half of their credits.

Not all tax credits are used each year because many businesses don't have sufficient tax liability. As the table below from the Department of Revenue shows, when the credit expired in 2017, \$105 million in tax credits were carried forward, and \$16 million was added to that carryover total.

**Exhibit 3.12—Tax Year 2017 C Corporation Tax Returns
Carryforward Credit Usage**

Credit	Number of Claims	Credit Carryforward from Previous Year (\$ thousands)	Credit Awarded Current Year (\$ thousands)	Number of Users	Total Amount of Credit Used (\$ thousands)	Percent of Credit Used
General Corporation Credits						
Business Energy Credits*	94	\$53,343	\$14,484	65	\$32,297	47.6%
Biomass Production/Collection	7	\$1,253	\$2,463	6 or fewer	\$1,921	51.7%
Electronic Commerce Zone Investment	6	\$15,125	\$10,167	6 or fewer	\$2,994	11.8%
Farm-Worker Housing Construction	10	\$3,383	\$1,162	7	\$1,218	26.8%
Oregon Affordable Housing Credit	20	\$1,857	\$8,328	19	\$9,307	91.4%
Pollution Control	11	\$780	\$153	7	\$81	8.7%
Qualified Research Activities	422	\$106,160	\$37,425	158	\$21,010	14.6%
Repatriation Credit	78	\$0	\$19,768	65	\$19,118	96.7%
Other Corporation Credits	17	\$46,860	\$10,467	7	\$14,794	25.8%
Total	665	\$228,761	\$104,417	328	\$102,740	30.8%

* Includes credits for Business Energy Facilities, Energy Conservation Projects, Renewable Energy Development, Transportation Projects, and Renewable Energy Resource Equipment Manufacturing Facilities.

Like this committee, the joint semiconductor committee has been evaluating support for R&D. Under [LC 4320/SB4](#), the state would employ grants and loans, not the tax code. The Semiconductor Committee would direct support only to businesses applying for federal CHIPS Act funding. That concept, which we support, is in sharp contrast to reviving and increasing the tax credit, as the Finance Committee [considered February 14](#) or more simply reviving the tax credit as with SB 669 which you are considering again today, a move that will likely cost \$64 million next biennium, without new research because of CHIPS Act funding.

The R&D credit should remain dead.

We read the bills and follow the money