



Date: April 5, 2023

To: Chair and Members of the Senate Finance and Revenue Committee

From: Scott Bruun, OBI

RE: Testimony in support of SB 1084 / R&D Tax Credit

Chair Meek and Members of the Committee,

I am Scott Bruun, director of tax, fiscal and manufacturing policy for Oregon Business & Industry. OBI is a statewide association representing businesses from a wide variety of industries and from each of Oregon's 36 counties. In addition to being the statewide chamber of commerce, OBI is the state affiliate for the National Association of Manufacturers and the National Retail Federation. Our 1,600 member companies, more than 80% of which are small businesses, employ more than 250,000 Oregonians.

Thank you for the opportunity to testify today, OBI strongly supports SB 1084.

As you know, there have been several R&D tax credit bills up for discussion this session. As we understand it, a final R&D tax credit package will be molded through the lens of the Legislature's semiconductor work, and that what's proposed there may look substantially different than SB 1084.

Task Force Recommendation

Having said that, it's important to note that SB 1084 is the best R&D tax credit concept in front of the Legislature this session, and its components ought to be the goal for which any other credit concept strives. OBI believes that the concepts in SB 1084 may be the most robust economic growth and job-creating tools that the Legislature could pass this session.

SB 1084 is truly robust. Every component of the bill is a specific recommendation of the Oregon Semiconductor Competitiveness Task Force. Those components were carefully considered, deliberated upon, and ultimately proposed with the goal of assuring Oregon's national and international competitiveness, and to show the world that we are a, if not the, center of semiconductor-related research and innovation.

The specifics of SB 1084, including the per-company cap of \$15 million, the deductibility and transferability pieces, and the allowable credit percentages, were specifically designed to make Oregon a top destination for investment capital.

Builds Upon Oregon's Research Ecosystem

SB 1084 would build upon the foundation of research and innovation excellence that has existed in Oregon for decades. The bill would enhance tech innovation, forest products innovation, bio and life sciences innovation, transportation product innovation and countless other areas of Oregon's world class innovative leadership from running shoes to rifle scopes.

The beauty of SB 1084 is that it does not arbitrarily pick winners or losers. It does not presuppose that government can know which industries are deserving and which are not. Simply put, government cannot

know the best place to invest or what the future will hold as far as products, design, research processes, or emerging industries and technologies. Government cannot know or predict these things. Only markets can sort this out.

Follows Federal Qualification Guidelines

It should also be noted that few if any states, to the best of my knowledge, narrowly constrict potential beneficiaries. The states with the most competitive R&D credits (Arizona, California, New Jersey, New York, Florida) all use federal definitions for qualification, as does this bill. In other words, SB 1084 would create an environment that attracts research capital and jobs in the areas we can think of, and critically, the areas we can't. Anything less than that, less than the federal standard, is discriminatory. And it makes no sense as the economic impact and benefits to the state are arguably the same.

Oregon's Best Tool for Semiconductor Competitiveness

I'll close by acknowledging again that this conversation has been empowered by the larger conversations around semiconductor manufacturing. You passed SB 4 last week. That bill provides \$200 million in short-term incentives and some land use workarounds, all very important. But perspective is also important. The committee for that bill heard testimony that the incentive monies in SB 4 put Oregon in the bottom half compared to what other states are offering. And we all know, even with workarounds, that Oregon cannot compete with Texas, Ohio, or just about any other state frankly, on land availability.

Where we can rise above is with SB 1084. With it we can build on Oregon's strong research ecosystem, we can retain and attract top jobs and investment capital, and we can broadcast to the world that we are a global center for innovation.

Of all the competitive components in the semiconductor arena, this R&D tax credit would be Oregon's crown jewel.

OBI urges your support.

Thank you.

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