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**Testimony on SB 5
Paul Benning, HP, Inc.
Joint Semiconductor Committee
April 19, 2023**

Co-Chair Bynum, Co-Chair Sollman, and members of the joint committee.

I'm Paul Benning, a Senior Fellow at HP, Inc. in Corvallis, and the leader of the team developing HP's CHIPS Act funding application that will be submitted to the US Department of Commerce later this year.

First, HP wants to thank this committee, the legislature and Governor Kotek for enacting SB 4, which we see as the first important step to positioning Oregon tech companies to be able to secure part of the \$52 billion the federal government has allocated for CHIPS grants.

The next step - creating state incentives - is equally important given the federal government's mandate that states have or develop long term incentive plans for recruiting and sustaining vibrant semiconductor businesses in their states, if these states wish to receive CHIPS Act grants.

Yes, I must admit, I'm one of those who has actually read **all** the materials that have come out from the Commerce Department about the CHIPS Act, and the requirements for states and applicants that wish to apply for funding.

A common thread through all the materials from the feds that that state needs to show a genuine commitment to building and sustaining a semiconductor ecosystem that can grow businesses and create jobs for the long term.

It is clear to HP that if something that looks "one off", or a short-term infusion of resources, is not something federal officials will view as state's commitment to growing a tech sector that positions the US to be competitive for semiconductor research and advanced manufacturing well into the future.

This is why HP supports the legislature moving forward on a robust business incentive package, that includes a competitive, sustainable R&D tax credit program. We believe this is a critical step to making Oregon more competitive to retain and recruit advanced manufacturing, high tech, and semiconductor businesses to the state.

You've already heard from others about how a robust R&D tax credit can drive investment and long-term economic vitality for an Oregon tech sector that creates and sustains high paying jobs.

From HP's perspective, we see this legislation helping smaller and startup businesses in a critical way. We need businesses around us, and throughout the state, that want to pursue leading edge research and development to enhance the work happening at HP's campus and with other more established companies in Oregon.

Again, we see this as a critical part of creating an "eco-system" within states wishing to be part of our national focus on semiconductor competitiveness.

We understand that this committee, and legislative leaders are still developing a R&D tax credit proposal, which will be amended into SB 5.

Here is what HP would recommend for a legislative package that would make Oregon competitive with the Commerce Department, and give companies the necessary tools to focus on longer research and development programs:

- Overall fund in the \$200-300 million range.
- Credit for eligible businesses capped at \$15 million annually.
- Carryforward provision for up to seven years, but no less than five years.
- Finally, a refundability provision that isn't targeted for only on smaller businesses.

We are eager to see Oregon enact a robust R&D tax credit program. We believe this will help HP's CHIPS Act application be more competitive with the Commerce Department, as well as assist other Oregon entries that are applying as well.

HP will apply for a CHIPS Act grant this Spring. We hope to secure federal dollars to support a \$600-700 million in investments in our Corvallis campus. This will add quality jobs and expand silicon chip production facilities for MEMS and microfluidic devices supporting customers in print, 3D print, life sciences, and exploring new applications like microfluidics cooling of data center processors.

HP can only be successful if the State of Oregon shows it long term commitment to a sustainable, semiconductor industry eco-system that is infused with focus and resources. Local economic development will come. New high paying jobs will come. And Oregon will see the long-term benefit with leading edge research that will spur even greater economic growth and revenue for the entire state.

We hope this committee and the legislature will enact Oregon's R&D tax credit, which is one of the tools necessary to show Oregon's desire to be competitive in the global tech economy.

Thank you, and I'm happy answer any questions.