



May 2, 2023

Co-Chair Meek; Co-Chair Nathanson
Joint Committee on Tax Expenditures
900 Court St. NE.
Salem, OR 97301

RE: SB 5 R&D Tax Credit

Dear Co-Chair Meek, Co-Chair Nathanson, and Members of the Joint Committee on Tax Expenditures:

Thank you for scheduling this hearing and for the support of Oregon's semiconductor and advanced manufacturing industries. We appreciate the work of the Joint Committee on Semiconductors and the legislature in passing SB 4, which provides a critical pathway to desperately needed land capacity that is foundational to Oregon's success. It also provided a meaningful investment in short-term incentives to help companies cover up-front capital costs for semiconductor companies that are seeking to locate or expand in Oregon by competing for federal CHIPS Act funds.

SB 4 was a good start. It is vital that this committee and the legislature continue to view the Oregon Semiconductor Competitiveness Task Force recommendations as a holistic plan and ensure each component of that plan be completed during the 2023 session. The R&D Tax credit is a vital part of that comprehensive strategy, as recommended by the Task Force. During Task Force discussions, it became very clear that a competitive R&D Tax credit was essential if we are to meaningfully respond to the federal call to action.

Just a few days ago speaking at the CHIPS for America: Execute for Success Policy Summit, Secretary Raimondo advised states to do the following in order to compete for CHIPS investments.

- Fast-track permitting.
- Make sure you have places that are ready for huge industrial capacity.
- **More state and local incentives – every state will have to compete amongst themselves.**
- Invest in workforce development and career and technical education.

She noted that each of these issues were collectively vital for states to compete.

Oregon has historically left economic development in the hands of local government. To that end, there are only a few state authorized programs that assist local governments in building economic prosperity for their communities and the state at large. SB 5 can alter that dynamic in a positive way through a long-term investment in Oregon's future. We will leave the policy

details of R&D tax credits to our coalition partners, and simply encourage this committee to create a credit that is responsive to industry needs and calibrated in a manner that demonstrates our desire to compete globally for semiconductor investment.

We also acknowledge that resources are tight. However, this is a rare opportunity to invest in our future at a time our nation is calling on us to act. Long-term prosperity doesn't happen overnight. We cannot only strive to meet current service levels and utilize scarce extra resource to squelch the most severe social consequences of societal inequities.

We know with clarity following the Business Oregon Property Tax Incentives Impact Study that when we invest public dollars in incentives for advanced manufacturing and semiconductor growth and expansion, the public return on investment is dramatic. That is just from a pure dollar in dollar back perspective. What is not fully captured is the public benefit that derives from the availability of equitable employment, the workforce training that can open new, low-barrier career opportunities so our kids can build a secure future in their hometowns, and then engage in civic life and take ownership in their community. Those returns on investment cannot be quantified on a spread sheet, but they are exactly what we must strive for if we are to improve the long-term condition of our people.

A strong R&D tax credit is vital to this work. We are hopeful that this committee will deliver a robust product, and we strongly support your efforts to that end.

Sincerely,

A handwritten signature in black ink, appearing to read "Andy Smith". The signature is fluid and cursive, with the first name "Andy" and last name "Smith" clearly distinguishable.

Andy Smith
Government Relations Manager