

**Dustin Todd, Vice President, Head of Government Affairs, Synopsys**

**Prepared testimony to the Oregon Legislature, Joint Committee on Tax**

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Good morning, Co-Chairs Nathanson and Meek, and Members of the Committee.

I am Dustin Todd, Vice President, and Head of Government Affairs for Synopsys.

Thank you for hosting this hearing on legislation to make Oregon competitive for companies operating in the semiconductor field. I also want to thank members of the Joint Committee on Semiconductors present today for their leadership in advancing this legislation.

Synopsys is a U.S. headquartered company, and we employ 284 employees at our site in Hillsboro, OR.

Synopsys is the global leader in Electronic Design Automation (EDA) - the software and services that assist in the design, implementation, verification, and manufacturing of semiconductor chips.

Synopsys also has the broadest and most trusted portfolio of semiconductor IP—the building blocks of chip design—in the industry.

100% of chips designed and manufactured globally rely on EDA and 95% rely on some form of Synopsys tools and services.

Our customers range from US government agencies to the automotive sector, developers of high-performance computing to cloud companies, to traditional chip designers and chip manufacturers most often associated with the semiconductor industry.

We are among the top enablers for companies looking to design chips, but also of the semiconductor fabs in the process of currently looking to expand in the wake of the U.S. CHIPS and Science Act. The CHIPS Act will require re-design of all chips manufactured abroad and require hundreds of jobs to do so – this will require significant use of EDA and semiconductor IP to be possible.

In Oregon, our customers range from startups like Ampere, who you will also hear from today, to our biggest customer, Intel who spoke previously. Much of the work done by our Oregon employees goes to support Oregon customers, including important Research and Development to fulfill their EDA and IP needs.

While the broader semiconductor industry puts 20% of revenue toward R&D, Synopsys puts 30% of our annual revenue back into Research and Development (R&D). We put so much back

in, as we help our customers push the limits on new chip architectures to customize and improve performance of products to better serve their customers.

While the US maintains leadership in Electronic Design Automation, that leadership is being contested. Foreign governments are allocating billions to establish their own EDA capabilities and they also have more advantageous tax policies, especially around R&D costs.

It takes 3-5 years to develop a modern chip and it costs more than \$500million to design a leading-edge chip – a cost that will inevitably rise as chips become more and more advanced.

In the US semiconductor industry, nearly 75 percent of R&D spending goes toward worker salaries and wages. So, the committee is right to focus on this job-creating issue. Other states where we compete, including California, Arizona, and Texas, have adopted strong R&D tax credits to incentivize innovation and competitiveness here at home. As one of the few states without an R&D credit, Oregon is at a disadvantage.

Semiconductor software design and IP firms like Synopsys – and there are only a handful of us - are critical to the success of semiconductor firms, big and small. When companies examine where to place workers in support of the CHIPS Act a strong state-level R&D credit is paramount.

We appreciate that amendments to SB 5 have included semiconductor electronic design automation and semiconductor IP in the eligibility definition. As a current and future employer operating in the semiconductor field in Oregon, I strongly encourage you to adopt a robust R&D tax credit to lure new semiconductors opportunities to the state.

Thank you for your time and I look forward to engaging further as this important legislation advances.