SB 1586

Advanced Manufacturing R&D Tax Credit

Oregon’s previous R&D incentive (sunset in 2017) was poorly designed

Too Small to Matter

$1M maximum award — far too small to influence where companies invest in R&D. Any incentive needs to be of a relevant size to move the needle.

Not Refundable

The small cap meant the credit was most relevant to smaller, innovation-oriented companies. But many are pre-revenue or unprofitable — without a tax liability to offset, they couldn't use the credit at all. The result: an ineffective incentive.

How We Fixed It: The Semiconductor R&D Credit

$4M

Max Credit Value (4× previous)

15%

Of Incremental R&D Spend

(aligned with IRC §41)

Refundability in tiers -- Designed for Smaller Companies

Company Size	Employees	Refundability
Small	< 150	75%
Mid-size	150 – 500	50%
Large	500 – 3,000+	25%

The Evidence: Well-Designed R&D Credits Work

Per Business Oregon, the Semiconductor R&D Credit program is already oversubscribed — a strong early signal the incentive is working.

Academic Research Confirms Effectiveness

2.8–3.8%

increase in R&D spending per 1% increase in state tax incentives (Chang, 2014)

3–4%

long-run R&D increase per 1 pp credit increase (Wilson, 2009)

- Wu (2005), Paff (2005), Wilson (2009), Chang (2014) all find state R&D credits effectively stimulate industrial R&D
- Agrawal et al. find state-level R&D credits increase small firm R&D spending (Canada)
- Fazio et al. (2020) find R&D tax credits increase the quantity and quality of entrepreneurship over time
- ⚠ Wilson (2009): Nearly all of a state's R&D gains come from competing away R&D from other states.

SB 1586: Extending a Proven Design

The Advanced Manufacturing R&D Credit mirrors the Semiconductor R&D Credit exactly.

- $4M maximum credit value
- Tiered refundability (75% / 50% / 25%)
- 15% of incremental R&D spend over computed base
- Aligned with federal IRC §41 definitions
- $90M biennial budget cap ('27–’29) (proposed increase to $100M per SB 1586)
- Administered as a separate program per Business Oregon

SB 1586 -4 & -5 amendments

- Biennial revenue cap extends to the sunset date (2036) (-5)
- No double dipping on credits between semiconductors and advanced mfg (-4)

R&D is Oregon's superpower. With the right incentives, we can do much more of it.

Daimler Truck NA

HQ'd in Portland — all next-gen carbon-free vehicle R&D happens here in Oregon

Panthalassa

Developing systems to harvest wave energy — pioneering renewable ocean technology

Life Sciences

Exciting start-ups emerging from UO Knight Campus and soon from the Knight Cancer Institute

Agility Robotics

Developing & manufacturing humanoid robots in Salem — potential $5 trillion market

Mass Timber Tech Hub

Targeting 100 start-ups using wood products as biomaterial for construction applications