

Testimony before the Senate Committee on Finance and Revenue 2/17/2017

Chair Hass, Vice Chair Boquist and members of the Committee,

**My name is John Calhoun and I am a resident of Portland. I am here today speaking against SB 174.** I am representing the Oregon Center for Christian Voices.

I recently retired from a career in the tech industry. I started with Intel in 1972 when it was a small company. Over the next decade the semiconductor industry was targeted by Japan and Intel was eventually forced out of the memory chip business. One of the tools that Japan used to give it a competitive edge was subsidized low cost capital enabling Japanese semiconductor companies to build expensive wafer fabrication plants at a lower cost than American companies.

**The Semiconductor Industry Association argued for the creation of the federal R&D tax credit that was passed in 1981 as a means to counter the Japanese advantage.** I know this because I was Intel's representative on the SIA public policy committee when we lobbied for the tax credit. In 1983 and 1984 I served as the Deputy Assistant Secretary for Science and Electronics at the International Trade Administration in the U.S. Department of Commerce and I continued to lobby within the government for continuation of the federal R&D tax credit as part of the American trade policy in our trade war with Japan.

A lot has happened since then. Companies like Intel, Apple, and Microsoft now earn billions in profits every year and are not short of capital. While much of the R&D done by U.S. high tech companies remains here in the U.S., much of the manufacturing is now based in other countries. Plants that used to cost tens or hundreds of millions of dollars now cost many billions. **The R&D tax credit is simply no longer a factor in providing the necessary capital for the industry or keeping industry employment in the U.S.**

**The Oregon R&D tax credit is even more ridiculous. The total tax credit benefit offered by the state is only \$15-18 million per year while the industry spends \$6 billion per year on R&D in Oregon. Do you honestly think that a credit of less than 0.3% changes any behavior? The Oregon tax credit accomplishes nothing.**

After I left Intel in 1991 I spent the next 25 years working in startup companies in other tech sectors like software and medical devices. **For true startups the tax credit is not helpful since most of the businesses lose money during the product development stage of the business and therefore pay no income taxes.** Once they become profitable the tax credit is still not a factor in their business planning or R&D expenditures. The tax credit is often an afterthought managed by the accountants. As the CFO of one of these