



June 1, 2023

RE: House Bill 2009 and SB 1084

Dear Co-Chairs, Representative Nathanson, Senator Meek, and Members of the Joint Committee On Tax Expenditures:

The Washington County Chamber of Commerce, the largest chamber in Washington County, comprised of more than 825 members representing over 75,000 jobs, is testifying today in strong opposition to HB 2009 and to respectfully request committee's support of SB 1084, both bills are before you for discussion today.

We oppose HB 2009 because of the restrictions the bill places on the use of credit to semiconductor and advanced manufacturing industries applied to the tax years beginning January 1, 2024. The bill intends to establish income and a corporate excise tax credit for qualified research endeavors; however, it also riskily aims to decrease the maximum amount of personal income tax revenue that may be distributed yearly to any county under the Strategic Investment Program. In doing so, HB 2009 unnecessarily creates a sunset date for the SIP, increases the minimum total cost of eligible projects under the SIP, unnecessarily amends related SIP provisions, and recklessly increases the minimum total cost of eligible projects under the current SIP program.

Moreover, this proposed statute plans to index costs to increase in the Consumer Price Index (CPI) that may weaken Oregon's traditionally successful Enterprise Zone Program by extending its sunset date and limiting the number of years a property in an Enterprise Zone may be exempt from property taxes imposed by school districts. HB 2009 is damaging to Oregon's overall business development and, like similar legislation recently considered by your committee, discourages long-term business development. The legislation functions contradictory to Governor Kotek's aims to increase residential development and business expansion linked to Federal Chips Act funding, SB 4, and Oregon's semiconductor business development.

SB 1084 would constructively generate business tax incentives that would enable Oregon to be competitive for semiconductor and other manufacturing industries for decades to come. The bill would create a significant research and development tax credit as well. Currently, the absence of R&D credit places Oregon at a disadvantage in attracting potential semiconductor manufacturers and related services. As a business expansion mechanism, SB 1084 would initiate a R&D tax credit of up to \$15 million for eligible interests and regulate the program at \$200 million per biennium and be generally refundable for companies with less than one hundred and fifty employees. SB 1084 also increases the

maximum annual amount of distribution a county can receive under the Gain Share Program and indexes the maximum amount for inflation.

The Strategic Investment Program and Gain Share programs have been highly effective in the Washington County region. Hillsboro is home to over 13 percent of Oregon's manufacturing jobs. Business Oregon evaluates that the combined Washington County direct SIP-related jobs contributed \$141 million to Oregon's 2022 General Fund.

The Semiconductor Competitiveness Task Force projected that every \$1 billion in semiconductor capital investment produces \$44 million in public income and 7,000 construction and manufacturing jobs. Every 2,000 permanent chip manufacturing occupations produce \$57 million annually in government revenue. Oregon needs robust incentive-based programs that lead to investment and job creation.

Thank you for the opportunity to provide our comments on the important decisions before you today.

Sincerely,

Rob Harris
Chair of the Board of Directors