



Senate Finance and Revenue Committee

February 14, 2023

## Testimony Opposed to SB 55

Chair Meek, Vice-Chair Boquist, and Members of the Committee,

My name is Daniel Hauser, Deputy Director of the Oregon Center for Public Policy, and I respectfully submit this testimony in opposition to SB 55 on behalf of the Center.

The Oregon Center for Public Policy is a nonpartisan think tank dedicated to improving the economic outcomes for all Oregonians, particularly low-income families and Oregonians of color, through research and analysis.

The legislature should reject this proposal to create a costly, ineffective, tax credit that will divert important public services to subsidize corporate research.

Oregon already tried a research and development (R&D) tax credit but eliminated it because it proved ineffective. The ineffectiveness of Oregon's prior research and development tax credit, called the Qualified Research Activities tax credit, became clear during a hearing of the House Committee on Revenue held on April 2, 2015 to review legislation to expand the tax credit. During testimony, Tektronix's Tax Director noted, "Would Tektronix be doing anything different in its business if it did not have a credit on its books? I would say no. I'll be on record saying that." Without evidence that the tax credit was effective, the legislature rejected the effort to expand the Qualified Research Activities tax credit. And in 2017, when this tax credit came up for review, the legislature let it sunset.

The creation of a new R&D tax credit could be very expensive. When Oregon had the similar Qualified Research Activities tax credit, nearly \$86 million in credits were claimed in a single tax year. SB 55 is expected to be significantly more generous. The proposed share of research activities for calculating the credit is between three and five times larger, and the credit cap is nine times larger. By making this corporate tax credit partially refundable, the cost would grow even



larger than the prior version. Yet, this bill doesn't stop there, it would also undermine school funding by exempting these activities from the Corporate Activities Tax.

At a time when Oregon is trying to address a housing crisis, invest in behavioral health services, expand access to child care, and reduce child poverty through the Oregon Kids' Credit, I'd encourage this committee to carefully consider your priorities.

If the intent is for this to be part of a larger package to attract semiconductor investment and federal CHIPS and Science Act funding, there are better ways for Oregon to create a package that works for industry and Oregonians. In a paper we recently published, submitted for the record, we make clear that investing in people and place, in Oregonians and in our shared infrastructure, is a much better investment.

We urge you to oppose SB 55.

