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Chairman Meek, Vice-Chair Boquist, and members of the committee, thank you for the opportunity to testify about the importance of a research and development tax credit for the state of Oregon. For the record, my name is Harry Clapsis and I lead government affairs for Ampere Computing. At Ampere, I'm responsible for all elements of our work with local, state, and federal governments. Today we are here to enthusiastically testify in support of SB 1084.

About Ampere:

Ampere Computing is a 5-year-old semiconductor design start-up focused on building high performance, energy efficient processors designed specifically for data centers. Ampere was founded by Renee James, a technology industry veteran and long-time Oregonian, having lived here since receiving both her undergraduate and graduate education at the University of Oregon. Ampere's Portland site is one of our largest global sites and the home to much of our engineering talent and most of our executive team.

Importance of R&D:

The semiconductor industry is one of the most research-intensive industries in the world today, with companies investing nearly one-fifth of annual revenue in R&D. Ampere is a semiconductor design company, meaning we partner with another company to manufacture the products we design here in Oregon. This partnership allows companies like ours to specialize on research, design, and industrial design prototyping. As a result, semiconductor design companies like ours lead the industry by investing nearly 25% of revenue on R&D.

But what does R&D mean in the semiconductor context? For Ampere, when we talk about research, we're really talking about jobs. Research for Ampere is countless hours of highly-educated, Master's and PhD employees (half of which are under the age of 30), working to figure out how best to arrange over 30 billion transistors on a chip like this. This research has resulted in Ampere delivering world-class, cloud native processors designed-in-Oregon -- processors that can help reduce the power needed for data centers while still offering the high performance our customers require.

The Need for a Credit:

While Ampere is strongly committed to our Oregon presence, the scale and pace of our growth in Oregon is tied to the environment in which we operate. And as a startup, Oregon's tax structure is a key part of that environment.

The majority of Ampere's research and development happens in Oregon and California. For many years, California has had an ambitious R&D tax credit. It is a permanent credit, at a 15-24% rate, is not capped, and can be carried forward indefinitely. With the majority of R&D tax credits going to researcher wages, this means that California provides a 15-24% rebate on much of the technical talent that we hire, while Oregon currently does not provide anything. To state it simply – Oregon is currently not competitive when it comes to incentivizing the growth of research jobs within the state.

You'll hear (and have heard) a myriad number of reasons as to why Oregon should **not** reinstitute a R&D tax credit, and I want to address some of those. Some have argued that Oregon's previous credit was inconsequential in incentivizing research and we've grown research spending since it expired anyways, so why should we reinstitute the credit? But that's exactly the point – Oregon's previous credit was so small that it didn't factor into company decision-making, and as a result, the expiration of the credit didn't change how companies spend on research. And that is the reason why we need to be more ambitious with this credit – we need to make it sizable enough that it does incentivize more research and design capabilities like those at Ampere.

Additionally, I would caution members of the committee against looking at Oregon's annual private-sector R&D spend to address whether a R&D credit is needed. Oregon benefits from several individual companies making multi-billion dollar R&D investments within the state – so while the number might have grown significantly over the past few years (despite the absence of a compelling R&D credit), that number reflects the behavior of very large companies that receive other types of incentives. A R&D credit is much more impactful in growing small and medium-sized businesses (and jobs) within Oregon, so we would urge the committee to not be misled by incomplete data.

We're very encouraged by the introduction of SB 1084. As a startup built with a heart in Oregon, we're encouraged by the committee's leadership in ensuring that Oregon can be an even greater national hub for research and development. While there are some amendments we would recommend for the bill text, we're very encouraged by the introduction of the bill and look forward to working with the committee on advancing this important legislation.

Thank you again for the opportunity to testify and I'm happy to answer any questions.