



Testimony on Research and Development Tax Credit Legislation April 19, 2023

Co-Chairs Sollman and Bynum, Co-Vice Chairs Knopp and Wallan and members of the Joint Committee on Semiconductors, I am Dave Dillon, president of Food Northwest, the trade association for food and beverage companies in Oregon, Washington, and Idaho.

For the record, the Teconomy Consulting Firm on behalf of OSU's Center for Innovation Excellence for Resilient Food and Beverage Manufacturing initiative completed an economic impact study of Oregon's food sector earlier this year. The study found that Food and beverage is the second largest manufacturing sector in Oregon just behind semiconductors with over 35,000 jobs directly in food and beverage making. When supporting activities like machinery and packaging are added, the food sector totals 49,000 directly employed Oregonians with another 72,000 indirect jobs dependent on food and beverage makers. These figures are separate from and in addition to agricultural production. Oregon's food companies have a higher proportion of mid- and higher-skilled and higher wage jobs than the sector nationally and employment growth is projected to continue growing strongly.

Food companies in Oregon generate over \$616 million in state taxes and \$514 million in local taxes. The jobs, economic activity, and tax dollars provided by the food sector are essential to the well-being and success of Oregon communities in all 36 counties.

Though food companies do not meet the remarkably narrow IRS definition of "advanced manufacturing," we are a high-tech sector. Food safety, plant safety and efficiency, energy gains, packaging advances, and increased traceability are all areas with research investments underway and many more needed to meet a rapidly changing marketplace. Robotics, data collection and use, and logistics are also in the midst of a revolution that is shaping and improving our food future.

R&D activity is essential to the future well-being of the food sector in Oregon. Low margins and other pressures can limit R&D expenditures at a time we need these investments the most. We support broader eligibility for R&D tax credits in Oregon that would allow food sector companies (and others in addition to semiconductors) who have already made heavy investments in capital and workforce here to get support for needed R&D.

We also support a change in the tax credit formula that makes it easier for businesses that sell much or all of their production in Oregon to qualify. R&D expenditures of more than 10% of Oregon sales is an impossible threshold for many of the food companies who focus on local sales.

Investing in research and development tax credits for a wider swath of Oregon businesses will pay long-term dividends to Oregonians, the state, and to the private sector. In the short term, these investments signal that Oregon is a future-focused and solution-driven place for existing and new businesses to thrive.