



19 April 2023

Co-chairs Sollman and Bynum and members of the committee,

Thank you for hearing Senate Bill 5 and considering tax policies to incentivize critical investments in Oregon and our economy. Intel is Oregon's largest employer, with over 22,000 employees with an economic footprint of over \$19 billion in state GDP. Over the last 40+ years, Intel has invested over \$50 billion in capital and continues to look at opportunities for future expansion. Together, Intel's continued investments in Oregon generate hundreds of millions of dollars in revenue for Oregon. In today's global semiconductor market, state and federal incentives are increasingly important. For Oregon as an income tax-dependent state, well-designed tax credits can generate millions in new state revenues through jobs to expand public services across the state.

Your committee recently passed Senate Bill 4, which provides a vital incentive tool to help cover up-front capital costs for new or expanding businesses competing for federal CHIPS Act funds. It is important to note that we expect this money to run out and, by design, be a one-time incentive to leverage federal funding. This means Oregon has limited incentives for businesses that need to make ongoing investments. Like one-time funding in Senate Bill 4, ongoing incentives like an R&D tax credit are critical to helping attract both private and federal CHIPS Act-related investments.

Intel evaluates tax credits across many states, and here are some essential considerations.

First and foremost, an R&D tax credit would incentivize companies to invest in research and development, activities that can create new products, processes, and technologies in the semiconductor industry and beyond. In addition, these credits can help spur innovation and enhance the competitiveness of Oregon businesses in a global marketplace, especially in light of the CHIPS Act opportunities for semiconductor companies.

Moreover, an R&D tax credit can attract new businesses to Oregon, as companies that engage in R&D activities are often highly sought after by states and localities looking to promote economic growth. This, in turn, can create new job opportunities for Oregonians, stimulate local business activity, and contribute to overall economic growth.

Intel purchases material and services from over 500 Oregon-based suppliers. The majority of these suppliers have less than 50 employees. Compared to a non-refundable tax credit, a refundable tax credit can benefit small and innovative businesses without significant tax liability. This is because small businesses and businesses reinvesting revenues in R&D may not have enough taxable income to fully use a non-refundable tax credit, which means they could miss out on the full benefit of the credit.

Furthermore, a refundable tax credit should help incentivize research and development activities for businesses of all sizes. For example, a company that invests in R&D but has not yet generated taxable income could still benefit from a refundable tax credit, which could help support its continued growth and innovation. However, limiting the tax credit refundability to employers with less than 150 employees, as in Senate Bill 5, undermines the economic development potential of the policy. Therefore, refundability should not be limited to small

employers.

Finally, an R&D tax credit would align Oregon's tax code with many other states and countries already implementing similar incentives where Intel operates. This would help level the playing field for Oregon businesses, make the state more competitive in the global marketplace, and make Oregon CHIPS applications more competitive. However, restricting the credit to companies with federal CHIPS applications is counterproductive and limits the policy's economic development potential.

In conclusion, an R&D tax credit would significantly benefit Oregon's economy, businesses, and communities. Passing an R&D tax credit that a) relies on federal tax policy definitions, b) sets a competitive cap of at least \$15 million, c) is refundable for companies of all sizes, and d) allows employers of all sizes to take advantage of the tax credit are essential provisions to elevate Oregon as a competitive state for future research and development. I strongly urge our state legislators to consider implementing such a tax credit to promote economic growth, foster innovation, and ensure a bright future for Oregon.

For any questions, don't hesitate to get in touch with me at dj.vogt@intel.com

Very sincerely,

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