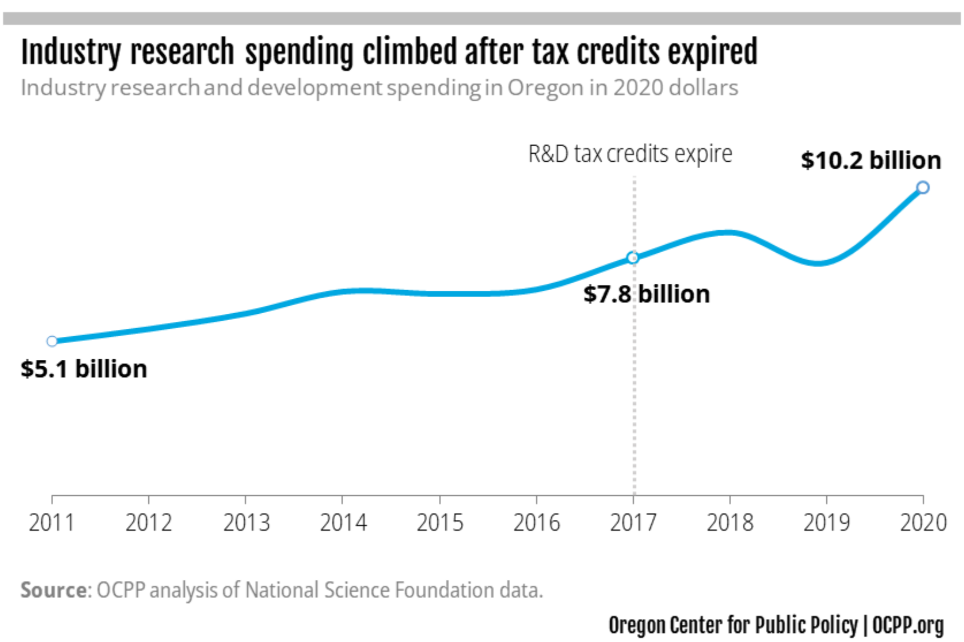
Abandon the Research and Development Tax Credit as a CHIPS Act Incentive

The Oregon Center for Public Policy has repeatedly made clear that investing in people and place, not tax breaks and direct corporate subsidies, is the right approach to improve the lives of Oregonians and attract CHIPS Act investment.

CHIPS Act puts "less weight" on tax incentives - encourages investment in people and place: Oregon must heed the clear Commerce Department directives on how to attract CHIPS Act resources: avoid tax giveaways and invest in people and place – in Oregonians and shared infrastructure. The guidance explains: *(emphasis added)*

> *The Department encourages projects that include state and local incentive packages capable of creating spillover benefits that improve regional economic resilience and support a robust semiconductor ecosystem, beyond assisting a single company. Such incentives might include* ***investments in workforce, education, site preparation, or infrastructure*** *(including transit or utilities) that are not limited to the applicant, but designed to benefit both the applicant and the broader community. Likewise, the Department will* ***place less weight on incentives (such as direct tax abatements)*** *with less potential for spillover benefits.*

Oregon's prior Research & Development (R&D) tax credit was irrelevant to R&D investment in Oregon: Oregon had an R&D tax credit until 2017, when it sunsetted due to a lack of adequate evidence for renewal. Even without the tax credit, industry spending on research and development in Oregon, adjusted to 2020 dollars, has continued to strengthen. In 2017, the last year the Qualified Research and Activities tax credit was in place, businesses spent nearly $8 billion dollars in R&D in Oregon. In 2020, the year with the most recently available data, that figure had risen to over $10 billion, a 30 percent increase.



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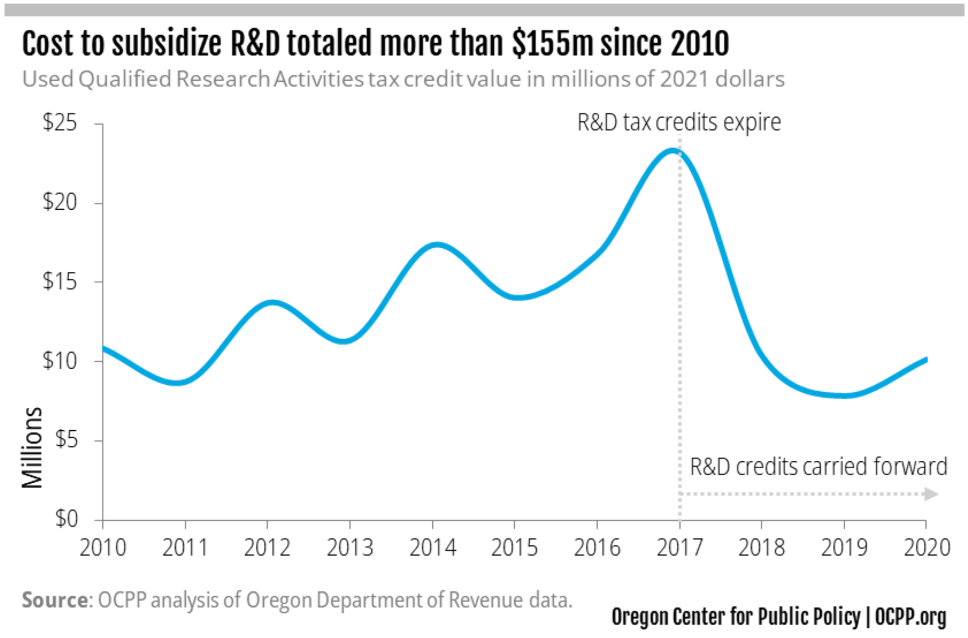
<u>Prior R&D tax credit cost the state more than $155 million in recent years</u>: While we do not yet know how many tens or hundreds of millions of dollars proposed R&D tax credits could cost the state, we do know the prior R&D tax credit pulled more than $155 million (inflation-adjusted to 2021) between the 2010 tax year and the 2021-2023 biennium out of funding for schools, child care, affordable housing, and other crucial priorities for state investment. This continued to occur years after the old R&D tax credit expired because previously unclaimed credits “carried forward” to future tax years - meaning revenues were hit years after the credit sunset. There remains little to no evidence this substantively increased investment in research and development in Oregon.



Taken together, the picture is clear: **If lawmakers want to boost Oregon’s chances of attracting CHIPS Act investment, do what the Department of Commerce tells us, incentivize investment in people and place; invest in Oregon’s workforce, education system, and infrastructure.**

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