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Co-Chair Bynum, Co-Chair Sollman, Co-Vice Chairs, and members of the joint committee, thank you for the opportunity to testify about the importance of a R&D tax credit. For the record, my name is Harry Clapsis and I lead government affairs for Ampere Computing. Today I am here to testify and give my support to the R&D tax credit report issued recently – with one request, to clarify eligibility of the credit to make sure semiconductor producing companies like Ampere are eligible.

Before I go into the specifics of the tax credit proposal being discussed, I think it's important to tell you more about Ampere and what we have done in just five years.

About Ampere:
Five years ago, Ampere was not much more than an idea. We had five employees, led by our CEO and founder Renee James, working out of an office in downtown Portland, discussing how they were going to build the future of the semiconductor industry. And importantly – how they were going to do it here in Oregon. Five employees became ten, and ten employees became twenty, and more. Five and a half years later – Ampere has grown fifty-fold to well over 250 employees in Oregon. We want to keep that rapid pace going.

In these five years, we have developed products that will make our world a better place. Since our founding – we have been laser-focused and are leading the industry on designing cloud-native processors, chips specifically designed for use in cloud data centers. With cloud data centers consuming more and more energy each year, the chip industry needs to help build in greater energy-efficiency. That's why Ampere has spent the past five years designing energy-efficient processors to solve the problems of today and the future. Our processors mean that data centers of the future will be more energy efficient than today, saving power, water, and real estate. And much of the research bringing us this green future was done here in the state of Oregon.

Despite all of Ampere's success to date, that success is not guaranteed. The challenges in this industry are immense for established companies, not to mention start-ups seeking to disrupt an established ecosystem. Semiconductors are one of the most capital-intensive industries today, and that's true of both semiconductor design companies as well as semiconductor manufacturing companies. According to one public estimate, the cost of designing a 7nm chip is over $200 million and the cost of designing a 5nm chip is over $450 million. Ampere has designed two 7nm chips and one 5nm chip to date, and we're actively working on more. At the same time, other states aren't staying idle. California and Arizona have ambitious R&D tax credits today, and a few weeks ago Texas' governor announced he will be supporting a "Texas

CHIPS Act" aimed at "sustain[ing] Texas leadership in advanced semiconductor research, design, and manufacturing".

Tax Credit Proposal:
With all of that said about the history and story of Ampere, I'd like to talk about the R&D credit framework we heard recently. We are excited to hear that members of the legislature have come together to create such a forward-looking credit aimed at helping semiconductor companies within the state, and thank you to the work group for this work. The per-company cap is ambitious enough to be impactful for companies, it includes refundability which helps smaller companies, and it includes a carryforward provision. However, despite all of these fantastic provisions, there is one big issue – at the moment, nobody can take advantage of it.

As we heard recently, under this proposal, the only companies eligible for the credit are those that receive CHIPS grants. At the moment, nobody has received any grants and it is unclear when or if a company will receive it. We believe this approach does not work for a few reasons:

1. **Receipt of a grant isn't guaranteed, and many OR chip companies aren't the focus of the grant program**: Years of investment by foreign governments has resulted in a significant misbalance in the manufacturing supply chain. This misbalance is sizable – which is why the CHIPS Act focused solely on manufacturing. Fabless semiconductor design companies, like Ampere, were not the target of the CHIPS Act legislation. As a result most companies in our sector don't believe we will receive CHIPS Act funding. But that isn't a reason to exclude companies like ours from support in the state of Oregon. Much like the bigger semiconductor companies in the state, we are growing, expanding, hiring Oregonians, bringing new people to Oregon, and paying them market-leading family-wages. But we want to do it faster and at a greater pace, and that is where a R&D tax credit would help.
2. **Federal CHIPS Act doesn't place such a condition on utilizing the federal investment tax credit:** As many know, a significant part of the CHIPS Act is a 25% refundable investment tax credit. That tax credit applies to any manufacturers that are building new fabs or advanced packaging facilities, and is not limited by the receipt of a grant. This is intentional – there are many applications out there, and grant money is limited. Commerce has said they don't expect to give grants to all potential projects – and the tax credit is there to help the non-grant-receiving projects. Additionally, there are costs associated with applying for grants that smaller companies might be unable to take on, and the tax credit is there to fill the gap. The state should take the federal government's lead and not put similar requirements on this credit.

I also wanted to provide our input with respect to certain ideas outlined in the workgroup's memo. Discussing start-ups, the memo outlines an idea about extending eligibility to companies conducting research on contract with a CHIPS Act awardee. While we appreciate the support for growing start-ups (as a start-up ourselves), we believe limiting the credit to CHIPS recipients **would** limit the appeal to start-ups, as few start-ups conduct research on contract with a CHIPS awardee. With respect to eligibility, the workgroup memo outlines another option the

committee could choose to scope the tax credit to focus on Oregon semiconductor companies– using **both** a NAICS code and additional detail to make legislative intent clear. Given the nuances of using NAICS codes, we think additional detail would be helpful in outlining types of companies the legislature believes should, and should not, be utilizing this credit.

In conclusion, we want to again underscore our strong support for the legislature's push to provide a R&D tax credit to make sure that the future of U.S. semiconductor innovation continues to be done here in the state of Oregon. And to be clear – we are **not** asking for an expansion of the credit to cover other industries. We're saying that we believe the scoping outlined by the task force does not achieve the task force's stated goal of creating a credit "available to companies operating within the semiconductor industry", and believe the alternative approach outlined by the task force (NAICS codes in conjunction with additional detail) is a more accurate approach. Thank you to the committee for the focus on the R&D tax credit, and please ensure that companies like Ampere, founded in Oregon by a long-time Oregonian, are eligible to take advantage of the credit and continue our rapid growth building semiconductors in the state.

Thank you again, and I'm happy to answer any questions.