



Senate Finance & Revenue Committee

February 16, 2026

Testimony in Opposition to New Manufacturing R&D Tax Credit

Chair Broadman, Vice-Chair McLane, and Members of the Committee,

My name is Daniel Hauser, Deputy Director for the Oregon Center for Public Policy, and I respectfully submit this testimony in opposition to the creation of a new R&D tax credit on behalf of the Center.

The Oregon Center for Public Policy is a nonpartisan think tank dedicated to improving the economic outcomes for all Oregonians, particularly low-income families and Oregonians of color, through research and analysis.

Do not create a new credit for broader industries: The original semiconductor R&D tax credit was carefully constrained to make Oregon competitive for federal CHIPS Act investments. SB 1586 creates a new credit focused on advanced manufacturing which does not have the same heavy federal matching funds.

Do not expand to big corporations: While the economic and social benefits of research and development (R&D) are meaningful, evidence on R&D tax credits at the state level are more mixed and depend on the design of the credit. To the extent that an R&D tax credit achieves what it's supposed to, it's more likely to be effective for small and medium-sized enterprises. Unfortunately, SB 1586 ends the semiconductor R&D credit's cap on refundability for businesses with more than 3,000 employees and the manufacturing credit does not contain that cap – allowing large employers to siphon away funds that could better support start up research.

Beware of the unlimited cap in out years: It's also unclear how the program will function in the 2030-2031 fiscal year and beyond, since there are no credit certification amounts included in this bill, but the sunset is moved out to 2036. It appears LRO's summary of the underlying bill mirrors my interpretation – the credit is unlimited from 2031 until 2036.



Consider the opportunity cost: The benefit of investment in a new R&D tax credit cannot be determined in a vacuum. Every dollar spent on this tax program is a dollar that cannot be spent on investing directly in workforce development through programs like Prosperity 10,000 or in improving access and quality of child care. And the price tag for this expansion is significant, with about \$140 million in expanded tax credit caps by the end of the 2029-2030 fiscal year.

SB 1586 recognizes that the current budget period is a bad time to add tens of millions of dollars in corporate tax breaks, by waiting until the next biennia for it to kick in. However, that hole is only going to get worse in the next few biennia, and this body should not worsen our crisis by handing out tens of millions of dollars each year to large corporations who are [reporting record high profits relative to meager worker raises.](#)

While we are not speaking to the other items in SB 1586, that is not a reflection of our support. We have simply not completed an analysis of them.

I urge you to oppose the creation of a new R&D tax credit and the expansion of Oregon's existing semiconductor R&D tax credit.