

## Intel wins Nike-style tax deal, just ahead of the deadline



Intel is spending at least \$6 billion dollars to build a pair of new research factories, collectively known as D1X, at its Ronler Acres campus in Hillsboro. *(Bruce Ely/The Oregonian)*

This was only a matter of time.

Gov. John Kitzhaber signed off Friday on tax assurances for Intel, [the same guarantees Nike won from the state Legislature](#) last year when the sports apparel company promised a major expansion of its Oregon operations. That [deal assured Nike](#) that the state's corporate income tax structure, favorable to large companies that do most of their business out of state, won't change.

Lawmakers rewrote that bill at the last minute to make Intel eligible for the same guarantees, but gave Intel only until the end of December 2013 to secure its own deal with the governor. Kitzhaber has now signed off on those assurances for Intel, four weeks ahead of the deadline.

In exchange, Intel said it plans to hire 500 more workers and make an additional, \$500 million investment in D1X, its multibillion-dollar research factory now under construction in Hillsboro.

Intel had already committed to expanding the factory months before the Legislature began consideration of Nike's bill last year, and construction started in February. So the state isn't getting any additional economic investment as a result of Friday's 30-year deal.

"This is nothing new," said Neil Tunmore, vice president of Intel's manufacturing group. "This is just continued expansion of the site."

But Kitzhaber said it's not costing Oregon anything extra, either.

"This is not a revenue loser for the state," the governor said Friday morning in a conversation with The Oregonian's editorial board. "This is tax certainty."

And Intel said that certainty is one element that sets Oregon apart from other places where it considers operating.

"Oregon has been extraordinarily stable," said Diana Daggett, Intel's director of corporate affairs in the Americas. "There are locations where that is not the case, where tax certainty is an issue that we look at."

The new agreement locks in the state's "single sales factor" corporate tax structure for Intel, as last year's deal did for Nike. The state began phasing in that tax structure in 1991 at the urging of Intel and other large corporations, and finished the process in 2005.

Single sales means that corporate taxes are calculated based only on sales within the state. Because Intel, like Nike, does most of its business outside Oregon, its income taxes are probably near the state minimum.

There's been no serious discussion of changing the way large companies' incomes are taxed in Oregon, and the deal doesn't cut Intel's taxes any further – but it does guarantee that the state's tax structure won't change. That provides tax certainty – something big companies such as Intel welcome when they're investing billions of dollars in a project they hope will last a decade or longer.

To some, though, 30 years is just too long to provide tax assurances to anyone.

"We have no idea what's going to happen in the world in the next 30 years and it's silly for the state to think that it should sign 30-year agreements with any business," said Jody Wiser of Tax Fairness Oregon. "We shouldn't be tying future legislators hands forever. That's irresponsible."

Though its headquarters are in California, Intel's largest and most advanced operations are in Oregon. The company has a singular economic influence in the state, employing 17,000 at its Washington County campuses – more people than any other business in the state. And the billions of dollars Intel is spending to build D1X is propping up Oregon's construction industry at a time when it has been suffering badly in the wake of the Great Recession.

The timing of Friday's announcement is less than ideal, however, because Intel – for one of the few times in its nearly four-decade history in Oregon – is a focus of controversy. The company acknowledged earlier this year that it had failed to disclose fluoride emissions at its Oregon manufacturing campus.

While Intel and state regulators insist the emissions posed no health risk, the company has acknowledged that [the flub cost it credibility with the community](#). And the fluoride emission has greatly complicated the air quality permit Intel seeks for the D1X expansion.

Neighbors and environmentalists, who have been generally receptive to Intel, were outraged by the fluoride omission and some have threatened to sue. Last month, activists delivered an online petition to Kitzhaber with more than 2,500 signatures asking that Intel be held to higher environmental standards.

It's been obvious for a long time that Intel would seek the Nike-style tax assurances. The original bill proposed on Nike's behalf specifically excluded Intel and other companies that receive property tax breaks under the state's Strategic Investment Program (SIP).

When Intel learned it had been written out of the deal, [company officials angrily chastised their counterparts at Nike in private conversations](#). And Kitzhaber went before lawmakers to urge a rewrite to include Intel. A month after the rewritten deal passed, Intel conducted a phone survey to gauge residents' attitudes about the company and its own tax guarantees. [The company acknowledged then that it was contemplating asking for the same deal Nike got](#).

On Friday, Kitzhaber said he and Intel had begun conversations on the new tax assurances last summer.

Intel already receives tax breaks well in excess of what any other Oregon business enjoys. Its current SIP tax breaks exempt up to \$25 billion in Intel equipment from the property taxes that other businesses pay. SIP tax breaks have saved Intel more than \$500 million since 2001, according to Washington County officials.

Unlike Nike's deal, the Intel agreement announced Friday does not limit the company's participation in the SIP program.

Intel's current SIP took effect in 2010. Intel said the spending binge that followed, led by at least \$6 billion for D1X alone, means that it will exhaust its \$25 billion limit in 2016 -- years ahead of schedule.

The company is likely to seek an a new SIP agreement with Hillsboro and Washington County in the very near future, but Washington County and Intel officials say that those conversations have not started yet.

The city and county will have considerable leverage in those discussions, should they choose to use it, because Intel is counting on D1X to lead its transition to a new generation of manufacturing tools and larger silicon wafers within the next few years.

It's nearly inconceivable that Intel would walk away from the billions of dollars it's invested in D1X and try to move the thousands of researchers it employs in Hillsboro – even if those talks result in several million dollars a year in additional taxes or fees.

*The Oregonian's Christian Gaston contributed to this report.*

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