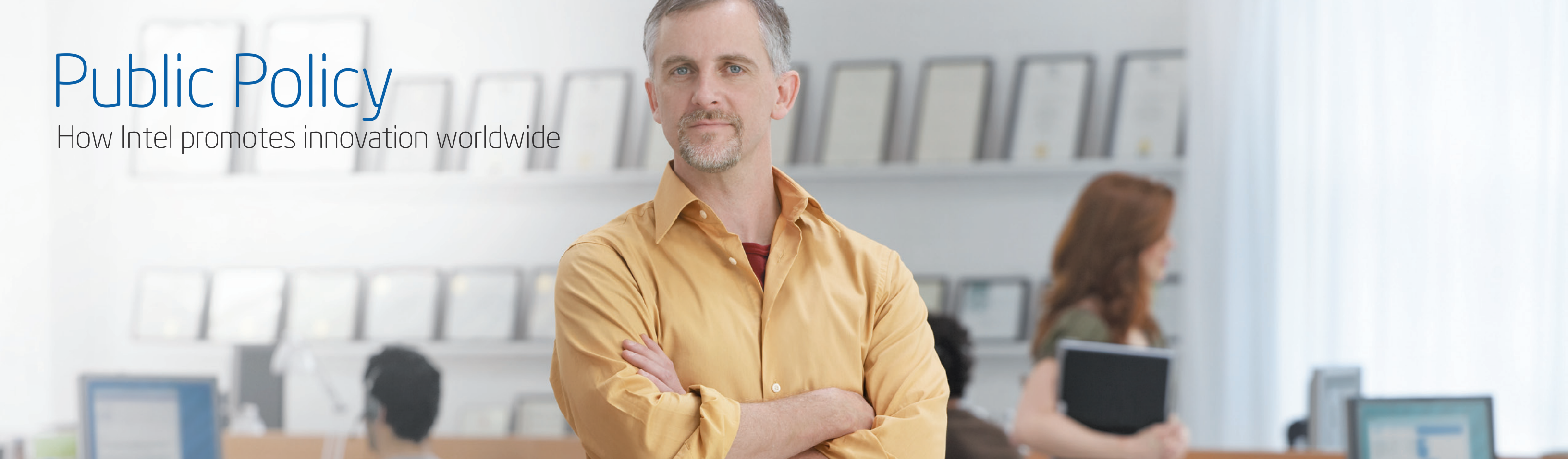
Public Policy

How Intel promotes innovation worldwide



Intel Public Policy

Tax

Intel believes in promoting tax policies that encourage innovation and competition around the world. Intel supports measures that enhance the ability of innovative companies to compete in the global marketplace and, in turn, produce economic prosperity.

Background

An increasing share of Intel's revenue comes from outside the U.S. (recently about 75 percent). In addition, Intel engages in a highly cost-conscious and capital-intensive business, and the location of our facilities can be substantially affected by the tax and economic development policies of potential host countries.

Currently, the 35 percent corporate income tax rate in the U.S. is the second highest among Organisation for Economic Co-operation and Development (OECD) countries. Notably, the ten-year cost differential between construction and operation of a wafer fabrication facility in the U.S. and various locations outside the U.S. exceeds one billion dollars—70 percent of which is attributable to tax treatment and approximately 20 percent to capital grants. Moreover, a credit for research and experimentation in the U.S.—commonly referred to as the U.S. R&D Tax Credit—has expired thirteen times in its history and has become increasingly less generous than the policies other countries implement to encourage research within their borders. These factors adversely affect the planning and performance of research in the U.S. for Intel and other companies.

On the global front, international double taxation and inter-company transfer pricing disputes can adversely affect Intel's business. Therefore, we also must consider these issues when making investment decisions, including the location of our facilities.

Key Issues

U.S. corporate tax rate.

Intel supports a meaningful reduction in the U.S. corporate tax rate. However, we do not support such a reduction paid for by the wholesale elimination of other current tax policies that are intended to provide at least a measure of global competitiveness (e.g., deferral).

Key Issues (continued)

Reform of U.S. International Tax Rules.

Intel supports consideration of broad reform of U.S. international tax rules, especially given the highly non-competitive U.S. corporate income tax rate mentioned immediately above. However, we oppose any approach that seeks changes in isolated portions of the current rules simply in order to fund other policy goals (i.e., to pay for other tax items, such as the R&D tax credit, or for programs such as health care reform); we believe such a piecemeal approach could severely damage U.S. competitiveness in the global economy.

Inter-company transfer pricing guidelines.

Intel supports the work of international organizations, such as the OECD, in their efforts to formulate globally consistent and administratively practical inter-company transfer pricing guidelines.

U.S. R&D Tax Credit.

Intel supports making the U.S. R&D Tax Credit a permanent part of the tax code. We also support enhancing the credit so that it reaches as many companies as possible performing research in the U.S. and encourages as much U.S. research as possible.

Multi-jurisdiction taxation programs.

Intel recognizes the need to address "abusive" foreign tax credit utilization schemes (such as those described in July 2008 U.S. Treasury Regulations), and also supports the active involvement of governments in multi-jurisdictional programs in order to avoid and resolve international tax disputes that could otherwise produce double taxation for multi-national companies.