

2015 Public Policy Priorities

Growth

Market access

Markets outside the United States account for nearly 90 percent of TI's revenue. TI advocates for non-discriminatory, open trade policies that recognize the global nature of the electronics industry.

Semiconductors now offer multiple functionalities and are packaged in more complex configurations. Existing tariff classifications have not kept pace, resulting in duties applied to certain semiconductors in some countries.

In addition, 21st century high-tech trade barriers must be addressed. Examples include lack of intellectual property protection, unique standards and security requirements, forced technology transfer, data localization and limits on cross-border data flows.

Efforts

TI seeks elimination of tariffs and non-tariff barriers on information technology products through various trade agreements. Specifically, TI supports:

- Updating the [1996 World Trade Organization's Information Technology Agreement \(ITA\)](#) which eliminated tariffs on high tech products, to eliminate duties on new products and functions, such as multi-component devices. An updated ITA would expand U.S. information technology product exports by \$2.8B and IT revenues by \$10B.¹
- Passing the Bipartisan Congressional Trade Priorities and Accountability Act of 2015 (TPA-2015). TPA is an essential tool for Congress and the Administration to collaborate on U.S. trade negotiations and secure implementation of resulting trade agreements. TPA also establishes an important framework for trade in the high-tech economy by addressing issues such as intellectual property and standards. TI is a member of the [Trade Benefits America](#) coalition.
- Concluding the [Trans Pacific Partnership \(TPP\)](#) negotiations among 12 Pacific Rim economies that would account for 40 percent of global Gross Domestic Product (GDP) and provide increased protection of intellectual property, address encryption/standards, and improve regulatory transparency.
- Finalizing the Transatlantic Trade and Investment Partnership (TTIP) between the U.S. and the European Union, which represent nearly 50 percent of global GDP and 30 percent of world goods trade. T-TIP would improve this trading relationship by promoting regulatory cooperation and protecting cross-border data flows.
- Using international standards and recognizing international testing certificates to facilitate trade of high tech products. TI discourages measures designed to benefit domestic industry or restrict market access (such as subsidies, forced localization, unique technical standards, forced technology transfer and local data storage requirements). These measures distort the market and prevent access to the best global technologies.

¹ Information Technology Industry Council Foundation

Export controls

TI takes seriously its obligation to comply with export control laws and requirements.

The U.S. government regulates the export of certain semiconductors, equipment and technology to particular countries and individuals. It is essential that existing or new regulations keep pace with technology to avoid controlling semiconductors that are sold into broad commercial applications.

Efforts

TI engages in ongoing efforts to reform export controls to reflect the global high-tech marketplace, while ensuring key technologies do not fall into the wrong hands. Specifically, TI supports:

- Reforming export control regulations to address treatment of dual-use products and encryption, streamline the deemed exports authorization process and clarify rules involving the transfer of products within companies.
- Working with others in the semiconductor industry and key agencies to clarify certain definitions in the regulations.

Technology-driven growth

Electronics are revolutionizing automotive safety and intelligent transportation, energy efficiency, alternative energy, industrial applications, medical technologies, and connecting the physical world in new ways through the “Internet of Things.”

TI supports policies that foster technological advancements and allow our business to grow in these areas.

Efforts

TI works to identify opportunities and policies aligned with the company's business priorities that will spur growth. Specifically, TI supports:

- Encouraging the use of technology to improve automotive safety (including eliminating distracted driving), fuel efficiency and reduced emissions. Specifically, support opportunities for research and technology deployment as part of the Surface Transportation Reauthorization Act.
- Accelerating adoption of energy efficient and alternative energy technologies such as smart grid and meter technologies, motor controls and LED lighting.
- Enabling industrial users to improve efficiencies through technology.
- Developing the full potential of the Internet of Things to provide commercial opportunities and improve quality of life.
- Managing privacy and cybersecurity concerns responsibly with technology-neutral approaches that allow businesses flexibility to innovate.
- Advancing medical electronic technologies to allow less invasive diagnoses and procedures, better imaging and remote patient monitoring.

Innovation

Advancing policies that support innovation, protect intellectual property, develop a strong workforce and provide access to talent

Fundamental research

Fundamental scientific research is essential to addressing global and national challenges – in areas such as energy, security and health – and to securing continued competitiveness, technological leadership, economic growth and a skilled workforce.

Scientific and technological advancements have been responsible for half of economic growth in the United States over the past 50 years. However, federal support for basic research at universities and in national labs has steeply declined as a percent of Gross Domestic Product (GDP) over the last several decades.

Efforts

TI supports fundamental research by:

- Participating in [pre-competitive consortia](#) and university research in groundbreaking semiconductor technologies and innovative applications
- Advocating for strong and sustained funding levels for the, [National Science Foundation](#), [National Institute of Standards and Technology](#), [Defense Advanced Research Projects Agency](#) and [Department of Energy Office of Science](#).
- Supporting the [Texas Research Incentive Program](#) to match non-state dollars for emerging research universities with the objective of expanding the base of nationally-ranked top-tier institutions in Texas and the [Texas Emerging Technology Fund](#) as a useful tool for matching grants for research superiority investments at public universities
- Monitoring and playing a proactive role in other countries' programs for semiconductor and other electronics-based research, and collaborating as appropriate to advance progress in semiconductor-based technologies.

STEM education

Science and engineering professionals are essential to TI's ability to innovate, grow and succeed.

Lagging student interest and achievement in science, technology, engineering and math (STEM) threatens the talent pipeline in the U.S. and hinders future innovation. TI strongly supports efforts to foster STEM education and school improvement, particularly in communities where we have a presence.

Efforts

TI actively engages with national, state and local governments near key TI sites worldwide, through academic partnerships, policy advocacy and philanthropy. TI supports policies that promote student achievement and improve teacher effectiveness, particularly in STEM subjects. Specifically, TI is involved in:

- Encouraging high standards and accountability designed to improve student achievement in K-12 education, including the voluntary, state-led [Common Core](#), [Next Generation Science Standards](#) and strong individual state standards in states where Common Core has not been adopted.
- Supporting K-12 and university programs that encourage students to study and pursue degrees in STEM disciplines, particularly engineering. A key focus of these efforts is to attract traditionally underrepresented groups such as women, African American and Hispanic students to these fields.
- Participating in [Change the Equation](#), a nonpartisan organization that advocates for improved STEM education and seeks to replicate and scale proven STEM education programs.
- Emphasizing teacher training to advance content knowledge by supporting programs that encourage STEM majors to enter teaching (e.g., [UTeach](#), [Teach for America](#)) and encouraging innovative approaches to learning, such as robotics competitions.
- Providing professional role models to mentor students and encourage STEM engagement, in collaboration with organizations such as [US2020](#).
- Promoting efforts of the [TI Foundation and other company education initiatives](#), which have provided more than \$150 million in the past five years to support quality [programs](#) to spark interest in STEM and improve student achievement.

High-skilled immigration reform

Access to the world's greatest scientists and engineers is critical to TI's ability to compete, innovate and succeed.

Existing U.S. immigration law is outdated and restrictive, limiting TI's ability to hire highly educated graduates – even from U.S. universities – and placing undue hardships on employees who face multi-year waits for permanent resident status. Innovation moves quickly, and the lack of progress on immigration reform puts the U.S. at a disadvantage.

TI strongly supports science, technology, engineering and mathematics (STEM) education programs and policies to build the domestic talent pipeline. Foreign nationals currently account for 55 percent of master's degree and 63 percent of Ph.D. graduates from U.S. electrical engineering programs.

Efforts

To ensure that TI is able to hire and retain these top graduates of U.S. universities, TI supports:

- Enacting meaningful immigration reform in the 114th Congress. Such reform must enable U.S. employers to access top global talent and give individuals with advanced degrees in STEM from U.S. universities a high priority for permanent resident status.

Intellectual property protection

TI invests heavily in R&D and enjoys a strong brand based on years of providing customers with quality solutions.

In 2014, TI invested \$1.36 billion in R&D and holds over 40,000 active patents. TI seeks to protect its intellectual property around the world, including the value of its patent portfolio, trademarks and trade secrets against infringement or misuse.

Counterfeit chips entering the supply chain have become a growing industry concern. The Semiconductor Industry Association (SIA) estimates that counterfeits could cost the U.S. semiconductor industry \$10-11 billion annually. In addition to the economic harm, counterfeits that enter critical defense, medical or automotive applications put lives at risk.

TI is also keenly interested in federal legislation to reform the patent system, supporting balanced reform that curbs abusive litigation while protecting legitimate patent holders.

Efforts

TI works to prevent counterfeits by:

- Working directly with governments worldwide and through trade associations such as the [SIA](#) to advocate for improved procurement practices and greater collaboration between the U.S. and other governments to prevent counterfeits.
- Supporting implementation of the [Defense Department and General Services Administration](#) acquisition regulations that require contractors to purchase semiconductors from original manufacturers or authorized resellers.

TI supports balanced federal patent reform legislation. Specifically, TI advocates for:

- Curbing abusive litigation while protecting legitimate patent holders.
- Preserving the ability of the International Trade Commission to issue and enforce exclusion orders, which prevent patent infringing products from entering the U.S.
- Opposing the expansion of the covered business method provisions in current law to cover software patents.
- Addressing patent reform at a federal level to avoid creating a conflicting patchwork of state regulations.

Competitiveness

Shaping a favorable business environment

Tax policy

TI advocates for sound and fair federal, state and international tax policies that recognize the global, capital and research nature of the semiconductor industry.

In the United States, TI supports comprehensive tax reform. The last overhaul was concluded in 1986. The U.S. tax code must be updated to ensure the country is a globally competitive business destination and reflect the reality of how U.S. companies operate in global markets.

The federal Research and Development (R&D) tax credit is continually allowed to lapse and is extended retroactively, making it unpredictable, weakening its ability to incentivize R&D and affecting the preparation of financial statements. The tax credit last expired in December 2014.

TI also advocates for sound tax policies in U.S. states and other countries where it has operations. In addition, TI is closely monitoring international tax reform proposals in the Organisation for Economic Cooperation and Development (OECD), and has joined other

multinational companies in advocating ways to strengthen the international tax treaty system that has been effect since the 1920s.

Efforts

TI's priorities in U.S. federal tax advocacy include:

- Reforming the tax code to set the corporate rate at 25 percent, adopting an international market-based system and enhancing incentives to perform R&D in the United States.
- Securing a permanent extension and enhancement of the R&D tax credit.

In various states, TI supports incentives, such as:

- Continuing and enhancing California's R&D tax incentive.
- Transitioning Maine's current personal property tax reimbursement program on older machinery and equipment to a tax exemption program for all installed production equipment.
- Ensuring a positive tax climate in Texas.

TI supports competitive and non-discriminatory tax policies in the jurisdictions in which it does business around the world, including leveraging available incentives to make TI's overseas manufacturing operations more efficient.

Environment, safety and health

TI has a strong record of commitment to ensuring a safe workplace and being a responsible steward of the environment.

Environmental regulations in place or under consideration at the U.S. federal and state levels and in various countries around the world include restrictions on greenhouse gas emissions, hazardous substances, nanomaterials and various chemicals involved in the manufacturing of semiconductors.

Efforts

TI promotes environmental laws and regulations at the international, federal, state and local levels that are well informed and responsible. Namely, TI is interested in:

- Ensuring that environmental measures are balanced and consistent, and reflect the realities of multinational operations and complex manufacturing processes.
- Discouraging regulations and legislation that would place unnecessary burdens on the company's operations.

Operational flexibility and supply chain

TI's supply chain and operations are core to delivering our innovative products and value to our customers.

TI monitors and participates in policy debates that affect our operational flexibility, such as access to reliable and affordable sources of energy and water, ensuring an ethical and secure

supply chain, enhancing cybersecurity, protecting privacy and the free flow of data across borders.

Efforts

Specifically, TI advocates for:

- Maintaining affordable, sustainable and reliable access to electricity and water for [TI manufacturing sites](#). TI supports policies that encourage price stability for these resources and strives to conserve its use of them in its operations.
- Implementing sensible energy policies. TI opposes efforts in Texas to adopt an energy capacity market that would impose a significant tax on energy users, without any guarantee that those funds will be invested in new generation of electricity. Studies conducted on capacity markets in other parts of the country show that over 90 percent of capacity payments go to existing power plants and are very costly for energy customers.
- Promoting responsible supply chain policies. TI works with various stakeholders to ensure that efforts to eliminate the use of minerals from conflict sources, including tantalum, tin, gold and tungsten, are accomplished in a feasible and effective manner.
- Ensuring cybersecurity legislation and regulations recognize and build upon existing voluntary measures, enhance threat information sharing, include appropriate liability protections to facilitate threat information sharing, while remaining technology-neutral and avoiding domestic preference criteria.
- Managing privacy issues responsibly and allowing cross-border data flow to enable TI and other multinational companies to best serve their customers around the world.