U.S. Chamber of Commerce

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November 28, 2023

The Honorable Ron Wyden
Chair
Committee on Finance
United States Senate
Washington, DC 20510

The Honorable Mike Crapo
Ranking Member
Committee on Finance
United States Senate
Washington, DC 20510

The Honorable Jason Smith
Chair
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

The Honorable Richard Neal
Ranking Member
Committee on Ways and Means
U.S. House of Representatives
Washington. DC 20515

Dear Chairs Wyden and Smith and Ranking Members Crapo and Neal:

The U.S. Chamber of Commerce is concerned that proposed regulations from the Department of the Treasury would, by failing to adequately harmonize section 48D advanced manufacturing investment tax credit ("ITC") with the grant and loan programs in the CHIPS for America Fund ("Fund"), imperil Congress's direction via the CHIPS Act of 2022 (Division A of P.L. 117-167) to strengthen the domestic semiconductor supply chain, promote national security, and enhance economic competitiveness. We call on your Committees to ensure the Biden Administration – via oversight or legislation – harmonizes appropriately the scope of the Fund and ITC.

Earlier this fall, Commerce Secretary Raimondo noted that "if we want to make more chips in America, then we need the supply chain for these materials and equipment to be domestically based." Congress appropriated $39 billion to the Department of Commerce to invest in the United States' semiconductor ecosystem. These investments are intended to go towards commercial fabrication facilitations as well as numerous supply chain companies that are involved in constructing and outfitting of these facilities.

The CHIPS Act makes eligible the production of materials, tools, specialty chemicals, and other key components of the semiconductor supply chain. The Department of Commerce is in the midst of soliciting proposals and collaborating with program applicants.

Congress also established the ITC, which provides a credit equal to 25% of the qualified investment for the taxable year with respect to any advanced manufacturing facility of an eligible taxpayer. The ITC provides a critical supplement to the Department of Commerce's semiconductor incentives program to incentivize domestic semiconductor manufacturing and bolster semiconductor supply chains in the United States. The Treasury Department's proposed regulations to implement the ITC contain inexplicabley narrow definitions, however, covering only semiconductors and semiconductor manufacturing equipment, and would leave out key aspects of the semiconductor ecosystem.

The Fund and ITC are complimentary parts of a broader effort to increase investment throughout the domestic semiconductor ecosystem. Thus, it is critical that all incentive programs established by Congress are appropriately aligned and accessible throughout the entire ecosystem. While semiconductor fabricators should be—and, under Treasury's proposed regulations, would be—eligible for the ITC when using materials and essential supplies to produce semiconductors, the manufacturers of those materials and supplies should also be incentivized to produce them in the United States. But if Treasury were to finalize its proposed regulations in their current form, the scope of the ITC's application would be too narrow to acheive Congress' goal of a resilient semicondutor supply chain.

Your action is needed to ensure that the Administration will synchronize these two programs in the manner in which Congress intended.

Sincerely,

Tom Quaadman
Executive Vice President
Chamber Technology Engagement Center
U.S. Chamber of Commerce

cc: Members of the Senate Committee on Finance
Members of the House Committee on Ways and Means