

CHIPS Act 2022 Summary



On July 28, 2022, the House passed the Creating Helpful Incentives to Produce Semiconductors (CHIPS) Act, clearing the way for the President's signature. The Bill authorizes more than \$200 billion in federal funding to promote domestic semiconductor production. However, of the \$200 billion authorized, only \$53.7 billion will be immediately appropriated, with the remaining funds requiring further congressional action. Another key aspect of the Act, to provide the incentive for domestic production, is the creation of a 25% tax credit for investments in semiconductor manufacturing.

Taxpayers in the industry should take note of the variety of opportunities created by the CHIPS Act, as detailed below by Act Sections. The appropriations currently authorized by the Act include the following provisions, with \$24 billion of these funds earmarked to be spent in fiscal 2022:

Section 102 – CHIPS for America Fund

- Over the next five years, \$50 billion is allocated to develop domestic semiconductor manufacturing production:
 - \$39 billion is to be used for financial assistance for building or modernizing domestic semiconductor manufacturing capabilities.
 - \$6 billion of these funds is appropriated for direct loans and

loan guarantees.

- \$11 billion is to be appropriated over the next five years for the implementation of research and development and workforce programs.
- **A CHIPS for America Defense Fund** will be established with \$2 billion in funding.
 - This fund will be dedicated to the Microelectronic Commons—a network for university-based semiconductor research for Department of Defense applications.
- **A CHIPS for America Workforce and Education Fund** will be funded with \$200 million over the next five years.
 - The fund aims to promote an increase in the semiconductor workforce, as the Senate estimates the workforce will need 90,000 workers within three years.

The bill summary adds that the incentives should ensure “consideration of a broad range of semiconductors and the relevance of the technology to supply chain vulnerabilities.” The Commerce Department will be charged with the implementation of the application process for the assistance programs.

Section 103 – Semiconductor Incentives

Amendments to the William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021 (Public Law 116-283) would be made to ensure that domestic semiconductor manufacturers are eligible for CHIPS Act funding. Amendments made to P.L. 116-283 aim to provide efficient and effective funding of the industry to secure a strong domestic supply chain. Once enacted, provisions in the Act would deny federal incentive funding to manufacturers who expand or build new facilities in countries that are a national security threat to the United States under current law (e.g., China).

Section 106 – Appropriations for Wireless Supply Chain Innovation

The Bill includes an appropriation of \$1.5 billion for a new Public Wireless Supply Chain Innovation Fund. The fund would support the development of innovative technologies to improve U.S. competitiveness in the mobile broadband market through improved supply chain processes.

Section 107 – Advanced Manufacturing Investment Credit

The Act would establish a new Investment Tax Credit (ITC) under § 48D. The credit would be 25% of qualified investments in *advanced manufacturing facilities*. Under the § 48D definition, qualified facilities are those primarily used for the manufacturing of semiconductors or the manufacturing of equipment used in semiconductor production. Taxpayers would have the ability to treat the § 48D credit as a payment against their tax liability for the year the qualified facility is placed in service (a “direct pay” election). The credit would be available for facilities that are **placed in service after December 31, 2022, and for which construction begins before January 1, 2027.**

The Act also includes funding for the National Science Foundation to establish a directorate for technology and innovation to support basic and applied research and bolster education in science, technology, engineering, and mathematics. Funding for the Energy Department for advanced research programs in several areas, including fusion and lasers, and funding for an international secure communications program are also provided for in the Act.

Ryan professionals are available now to assist you in identifying favorable incentives for your business, implementing them once the Act is enacted. Contact one of the Ryan experts below to assist you in getting started.

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