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CPA

Tax incentive looks to boost the making of semiconductors and semiconductor manufacturing equipment in the U.S.

Jason Bramwell • Mar. 21, 2023



The IRS and the Treasury Department [proposed rules on Tuesday](#) regarding tax incentives that the Biden administration hopes will boost the making of semiconductor chips and semiconductor manufacturing equipment within the U.S.

The Creating Helpful Incentives to Produce Semiconductors Act of 2022, commonly known as the CHIPS Act, allocated \$52.7 billion in grants over the next five years to

increase American semiconductor chip manufacturing, promote the building of new

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placed in service during the taxable year. The qualified property must be integral to the operation of the advanced manufacturing facility. The credit is generally available for qualified property placed in service after Dec. 31, 2022,” the IRS said on Tuesday.

The proposed regulations address:

- The eligibility requirements for the tax credit, including defining what constitutes an eligible taxpayer, qualified property, and an advanced manufacturing facility;
- An election that eligible taxpayers can make to be treated as making a tax payment (including an overpayment of tax), or for an eligible partnership or S corporation to receive an elective payment, instead of claiming a credit;
- Because the CHIPS Act prohibits foreign entities of concern from claiming the tax credit, a special 10-year credit recapture rule that applies if there is a significant transaction involving the material expansion of semiconductor manufacturing capacity in a foreign country of concern; and
- How to claim the credit.

“Today, Treasury is taking steps that will mobilize investments in American semiconductor manufacturing, spurring job growth innovation for generations to come,” said Treasury Secretary Janet Yellen said in a statement. “By providing detailed eligibility guidance for this tax credit, we’re equipping taxpayers with the clarity and certainty they need to make investments that will increase semiconductor manufacturing and strengthen America’s semiconductor supply chain.”

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