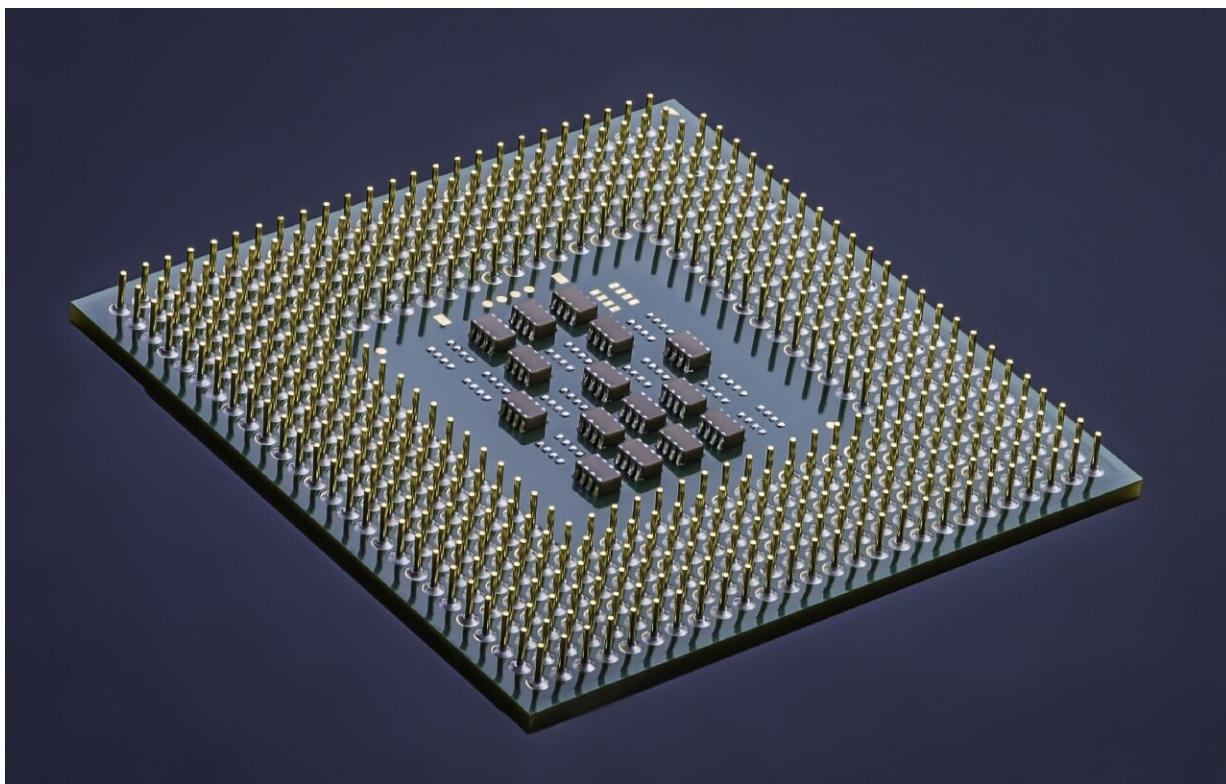


Republicans split on adding semiconductor tax breaks to competition bill

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An effort to add bipartisan tax incentives for U.S. semiconductor manufacturing to a larger economic competitiveness package is running into divisions among House Republicans.

The top-ranking GOP member of the tax-writing Ways and Means Committee, Rep. Kevin Brady of Texas, is among those who believe giving tax breaks to chipmakers is too narrow an approach as Congress aims to get the U.S. on better footing in sectors where China leads. But Republicans who proposed the semiconductor tax credits want to see swift action, citing an urgent need for the country to attract semiconductor plants.

"I just don't see the need for a tax title if it ... just favors a single industry," Brady said Friday in a brief interview.

The Senate Finance Committee's highest-ranking members—Sens. Ron Wyden, D-Ore., and Michael D. Crapo, R-Idaho—are leading the push to add tax provisions to the competitiveness package as 107 lawmakers embark on the conference process to iron out differences between House and Senate versions of legislation on the subject. The effort kicked off with a public meeting Thursday in which disagreement on potential tax additions emerged.

The packages currently each include funding to bolster U.S. semiconductor manufacturing. But Wyden and Crapo want to add [tax incentives](#) along with a provision allowing companies to again fully and immediately deduct their research and development expenses after a 2017 law change required expensing over five years starting on Jan. 1, 2022.

Brady said Congress should focus on boosting all industries China pinpointed in a 2015 economic plan meant to expand its manufacturing sector by 2025, which include power, agricultural, modern rail and aerospace equipment; [medical devices](#); advanced information technology; robotics; high-tech shipping; and more.

Brady said adding the R&D expensing provision, which he supports, is

not enough to assuage his concerns.

"That is not enough to help those industries confront and counter China, no question," Brady said. "But hopefully there will be broader discussion than just another [tax credit](#) that's sort of double-dipping on top of the \$52 billion that they're going to receive in the bill, you know, in grants."

Ways and Means Republican Rep. Adrian Smith of Nebraska, a conference negotiator for the competitiveness package, raised the same concern that semiconductor credits are too narrow, saying chips aren't the only supply chain issue the U.S. currently faces. He said broad-based incentives would make sense, naming the R&D provision as an example that would address that concern.

Still, Smith isn't wedded to the idea of adding tax provisions to the larger package and said he won't insist R&D gets in, though he would support it.

Other House Republicans disagree and want to see the tax credits covering up to 25 percent of investments in semiconductor facility property or design expenditures become part of the competitiveness package.

Pennsylvania Rep. Mike Kelly, the ranking Republican on the Ways and Means subcommittee overseeing taxes, said he wants to see the credits added during the conference. Kelly is a co-sponsor of the House semiconductor credits bill, which is led by Texas Republican Michael McCaul. Republican Conference Chair Elise Stefanik of New York is also a co-sponsor.

Kelly said Brady and Smith's concerns are valid and suggested they could offer amendments to the bill. "But I think we're pretty much now at rug-cutting time," he said. "We're either going to get back in the market,

we're either going to get back into being able to do the things that we need to do without relying on others, or we're not."

Democratic Rep. Dan Kildee of Michigan, a co-sponsor of the [semiconductor](#) bill and a member of the conference committee, said if lawmakers add a tax title they should do all they can, even if the final package loses votes.

"I think we need to be as bold as we can be and still be able to pass the bill in the Senate," Kildee said. "So I mean, I would favor including everything for which we can get 218 votes and 51 votes over there, knowing that all this legislation's fairly well-vetted."

"People know what it is; it's not like there's a lot of drafting required. It's really a political question," Kildee added.

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