



July 19, 2022

NTU urges all Senators to vote “NO” on the CHIPS Act of 2022, legislation providing \$76 billion in deficit-financed semiconductor subsidies from FY2022 to FY2031. The federal government should not pick winners and losers in the economy. U.S. taxpayers should also not subsidize semiconductor chips that will ultimately be used by manufacturers around the globe, including in China. There are plenty of alternatives to this proposal that would benefit semiconductor companies along with the U.S. economy as a whole, such as lifting costly, ineffective, and protectionist tariffs, and permanently allowing U.S. businesses to fully and immediately expense research and development costs.

Taxpayers should not subsidize private companies, especially when our foreign competitors stand to benefit from these subsidies. China is the largest export market for U.S.-made semiconductor chips, and many U.S. chip manufacturers produce in both the United States and China. In 2020, the largest U.S. semiconductor manufacturer earned nearly \$3.7 billion more in net revenue in China than in the United States. The CHIPS Act of 2022 explicitly allows subsidy recipients to expand legacy semiconductor manufacturing capacity in the People’s Republic of China. More generally, the Senate should not reward the use of strong-arm tactics by companies seeking federal subsidies. For example, according to one headline: “Chip makers are refusing to build new semiconductor plants in the U.S. unless Congress unlocks \$52 billion in funding.”

There are plenty of alternatives to the CHIPS Act of 2022 that would benefit semiconductor companies along with the U.S. economy as a whole. For example, Section 301 tariffs are generally supposed to terminate after four years, but the Biden administration is considering extending these costly, ineffective, and counterproductive tariffs indefinitely. As the Semiconductor Industry Association has written: “[T]ariffs applied on semiconductors and its supply chain are disproportionately harming the U.S. semiconductor industry and broader U.S. interests, all while failing to put real pressure on the Chinese government to change its unfair trade practices.”

Allowing U.S. businesses to permanently, fully, and immediately expense their research and development (R&D) costs would also be a promising alternative to deficit-financed subsidies. Lawmakers could pair permanency for R&D expensing with relatively minor spending offsets from elsewhere in the \$5.9 trillion federal budget. These types of policies would benefit the overall U.S. economy. Using the power of the federal government to pick winners and losers would weaken it. Instead, Congress should create a climate that allows all businesses to prosper and create jobs.

Roll call votes on the CHIPS Act of 2022 will be significantly weighted in NTU’s annual Rating of Congress and a “NO” vote will be considered the pro-taxpayer position.

If you have any questions, please contact NTU Director of Federal Policy Andrew Lautz at alautz@ntu.org or NTU Free Trade Initiative Director Bryan Riley at briley@ntu.org.
