

INCREASED TAX CREDIT FOR CHIPS INVESTMENTS



Preston Brashers, Research Fellow
APRIL 2026

**ADVANCING AMERICAN
FREEDOM FOUNDATION**

TOPLINE: The One Big Beautiful Bill (OB BB) increased the CHIPS Tax Credit for business investments in semiconductor manufacturing equipment and the construction of semiconductor manufacturing facilities.

BACKGROUND: The [CHIPS and Science Act of 2022](#) included various incentives for investments in facilities that produce semiconductors in the United States, including grants, loans, and the CHIPS Tax Credit. The CHIPS Tax Credit (also known as the Advanced Manufacturing Investment Credit) offset 25% (prior to OB BB) of qualifying investments in buildings, structural components, and tangible property for which the main purpose is manufacturing semiconductors or semiconductor manufacturing equipment in the United States. Foreign entities of concern (e.g., Chinese companies) are prohibited from receiving the credit. The credit was made available only for property for which construction begins before December 31, 2026. The Congressional Budget Office published estimates suggesting that the original CHIPS Tax Credit would reduce business taxes by about [\\$24 billion](#) through FY 2031.

What OB BB Did:

- [Raised](#) the CHIPS Tax Credit percentage from 25% to 35% of qualifying investments for property in which construction begins after December 31, 2025.
- Kept in place the credit's original expiration date, meaning the CHIPS Tax Credit only applies to property for which construction begins by December 31, 2026.

Why It Matters?

- Semiconductors are an integral part of many modern products.
- With the proliferation of artificial intelligence (AI) technology, semiconductor manufacturing has boomed. McKinsey [estimated](#) that the value of the global semiconductor market would grow from \$775 billion in 2024 to \$1.6 trillion in 2030.
- The increased CHIPS Tax Credit is a [\\$15 billion](#) expansion of the tax preference.
- Heavy-handed industrial policies can weaken domestic industry instead of strengthening it, making companies dependent on continued government subsidization, ultimately reducing innovation.

Where Can I Find the Changes? OB BB Sec. [70308](#); [26 U.S.C. § 48D\(a\)](#).

BOTTOMLINE: A tax credit that is large enough to meaningfully increase a specific type of investment is a tax credit large enough to distort markets and business decisions. Congress should *not* further expand or extend the CHIPS Tax Credit.

