

The background of the slide is a photograph of a semiconductor manufacturing process. It shows a robotic arm with an orange and grey gripper positioned over a black printed circuit board (PCB) mounted on a production line. The PCB is densely packed with various electronic components, including a central square chip, numerous small surface-mount components, and several rows of pins. The scene is lit with a cool blue light, and the background is blurred, emphasizing the precision of the manufacturing process.

Section 48D Credit Opportunities for Semiconductor Manufacturing and Production Equipment Companies

The Section 48D Advanced Manufacturing Investment Credit — enacted under the CHIPS and Science Act of 2022 — offers a substantial federal incentive for companies investing in U.S. semiconductor manufacturing and related equipment production. The benefit was expanded under the [One Big Beautiful Bill Act](#), increasing the potential credit rate from 25% to up to 35% for qualified projects placed in service after December 31, 2025.

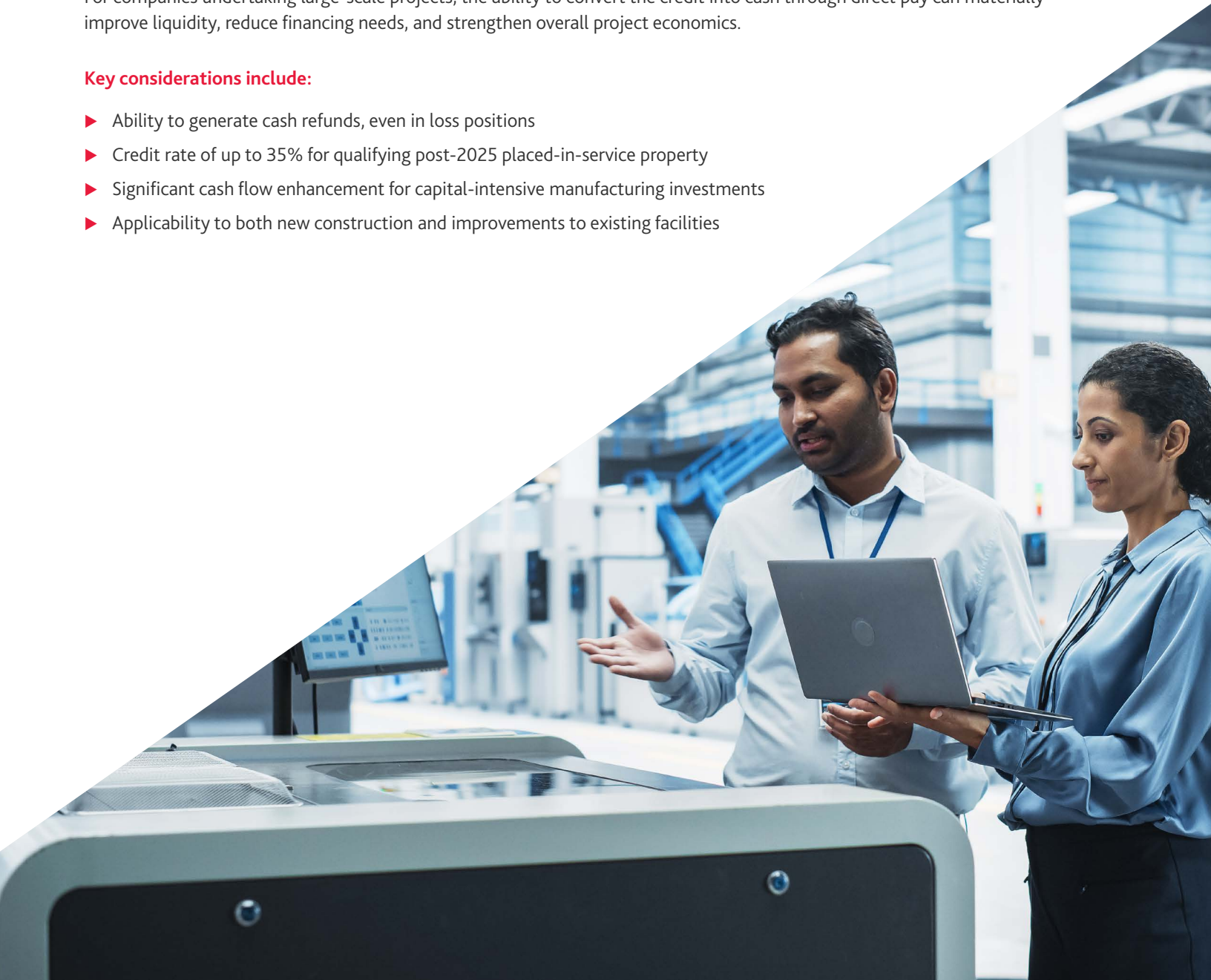
Interest in the yearly credit continues to grow in 2026 as companies accelerate domestic semiconductor production and supporting infrastructure. Importantly, Section 48D includes a direct pay (elective payment) mechanism, enabling eligible taxpayers to monetize the credit as a refund. This feature makes the incentive particularly valuable for companies in loss positions, as it can generate cash flow.

WHY THE CREDIT MATTERS

Section 48D provides a refundable, investment-based incentive tied directly to capital investment in qualifying facilities. For companies undertaking large-scale projects, the ability to convert the credit into cash through direct pay can materially improve liquidity, reduce financing needs, and strengthen overall project economics.

Key considerations include:

- ▶ Ability to generate cash refunds, even in loss positions
- ▶ Credit rate of up to 35% for qualifying post-2025 placed-in-service property
- ▶ Significant cash flow enhancement for capital-intensive manufacturing investments
- ▶ Applicability to both new construction and improvements to existing facilities



Key Features of the Credit

- ▶ **Credit Rate**
25%, increasing to up to 35% for qualifying property placed in service after 2025
- ▶ **Refundable Structure**
Direct pay option treats the credit as a tax payment, enabling cash refunds
- ▶ **Eligible Property**
Depreciable property used in a qualified advanced manufacturing facility
- ▶ **Placed-in-Service Requirement**
Credit is based on qualified property placed in service during the taxable year
- ▶ **Qualified Activities**
Manufacturing of semiconductor chips or semiconductor manufacturing equipment
- ▶ **Scope of Costs**
Includes equipment and building improvements directly supporting qualified operations
- ▶ **Capacity Requirement**
Investments must increase overall semiconductor chip or equipment production capacity
- ▶ **Timing**
Construction of qualified property must begin before January 1, 2027
- ▶ **Pre-filing registration**
Required to be made online to make the election
- ▶ **Claiming Credit**
Must be claimed on the original federal income tax return for the year the qualified property is placed in service

In addition to property-level requirements, taxpayers must evaluate ownership structures, foreign affiliations, and future expansion plans as certain relationships with foreign entities may limit or disqualify access to the credit. These rules are intended to confirm that the incentive supports domestic semiconductor manufacturing without indirectly benefiting

WHO SHOULD BE EVALUATING THE SECTION 48D CREDIT

While semiconductor manufacturers are the most obvious beneficiaries of the Section 48D credit, eligibility may extend more broadly across the supply chain. Organizations that should evaluate the credit include:

- ▶ Semiconductor chip manufacturers;
- ▶ Manufacturers of semiconductor production equipment;
- ▶ Companies designing and manufacturing subsystems incorporated into semiconductor manufacturing equipment; and
- ▶ Businesses expanding or upgrading facilities that increase production capacity for qualifying activities.

It is important to note that individual components of manufacturing equipment generally do not qualify on a standalone basis. However, determining whether a particular product or system constitutes a qualified subsystem or integral part of semiconductor manufacturing equipment is highly fact-specific, representing a key gray area where many companies may not have fully evaluated their eligibility.

WHAT COMPANIES SHOULD BE DOING NOW



Identify qualified depreciable property placed in service that supports semiconductor manufacturing or equipment production



Evaluate whether current or planned investments increase overall production capacity



Model potential benefits under current and enhanced credit rates



Align project timelines with placed-in-service and construction start requirements



Coordinate across tax, finance, and operations to support proper tracking and documentation

HOW BDO CAN HELP

BDO supports companies throughout the full lifecycle of the Section 48D credit, including:

- ▶ Assessing eligibility, including whether activities, outputs, and systems qualify as manufacturing or production subsystems
- ▶ Calculating annual credit amounts tied to placed-in-service property
- ▶ Preparing audit-ready documentation
- ▶ Supporting IRS examination readiness and defense
- ▶ Identifying accounting method and fixed asset planning opportunities to help increase the overall cost basis of credit-eligible property

BOTTOM LINE

The Section 48D credit represents a significant opportunity for companies investing in U.S. semiconductor manufacturing and related infrastructure. With its refundable structure and focus on placed-in-service capital investment, the credit can generate meaningful cash benefits and improve project economics.

Given the complexity of the qualification rules, particularly around what constitutes a qualifying facility, system, or subsystem, early identification and strategic planning are essential to fully realizing the credit's value and avoiding missed opportunities.

Contact BDO to discuss how the Section 48D credit may apply to your business.

CONTACT US TODAY ▶

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