

118TH CONGRESS
2D SESSION

S. 4585

To prohibit covered entities that receive financial assistance relating to semiconductor manufacturing equipment from purchasing certain semiconductor manufacturing equipment from foreign entities of concern or subsidiaries of foreign entities of concern, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JUNE 18, 2024

Mr. KELLY (for himself and Mrs. BLACKBURN) introduced the following bill;
which was read twice and referred to the Committee on Finance

A BILL

To prohibit covered entities that receive financial assistance relating to semiconductor manufacturing equipment from purchasing certain semiconductor manufacturing equipment from foreign entities of concern or subsidiaries of foreign entities of concern, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “The Chip Equipment
5 Quality, Usefulness, and Integrity Protection Act of
6 2024” or the “Chip EQUIP Act of 2024”.

1 **SEC. 2. PURCHASES OF SEMICONDUCTOR MANUFAC-**
 2 **TURING EQUIPMENT.**

3 (a) DEFINITIONS.—Section 9901 of the William M.
 4 (Mac) Thornberry National Defense Authorization Act for
 5 Fiscal Year 2021 (15 U.S.C. 4651) is amended—

6 (1) by redesignating paragraphs (2), (3), (4),
 7 (5), (6), (7), (8), (9), (10), (11), (12), and (13) as
 8 paragraphs (3), (4), (6), (7), (8), (9), (10), (11),
 9 (12), (13), (14), and (15), respectively;

10 (2) by inserting after paragraph (1) the fol-
 11 lowing:

12 “(2) The term ‘completed, fully assembled’
 13 means the state in which all (or substantially all)
 14 necessary parts, chambers, subsystems, and sub-
 15 components have been put together, resulting in a
 16 ready-to-use or ready-to-install item to be directly
 17 purchased from an entity.”;

18 (3) in subparagraph (A) of paragraph (4), as so
 19 redesignated, by striking “paragraph (2)” and in-
 20 serting “paragraph (3)”; and

21 (4) by inserting after paragraph (4), as so re-
 22 designated, the following:

23 “(5) The term ‘ineligible equipment’—

24 “(A) means completed, fully assembled
 25 semiconductor manufacturing equipment that is
 26 manufactured or assembled by a foreign entity

of concern or subsidiary of a foreign entity of concern and used in the fabrication, assembly, testing, advanced packaging, production, or research and development of semiconductors;

“(B) includes—

“(i) deposition equipment;

“(ii) etching equipment;

“(iii) lithography equipment;

“(iv) inspection and measuring equipment;

“(v) wafer slicing equipment;

“(vi) wafer dicing equipment;

“(vii) wire bonders;

“(viii) ion implantation equipment;

“(ix) chemical mechanical polishing;

and

“(x) diffusion or oxidation furnaces;

and

“(C) does not include any part, chamber, subsystem, or subcomponent that enables or is incorporated into such equipment.”.

(b) INELIGIBLE USE OF FUNDS.—Section 9902 of the William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021 (15 U.S.C. 4652) is amended by adding at the end the following:

1 “(j) INELIGIBLE USE OF FUNDS.—

2 “(1) IN GENERAL.—Subject to paragraph (2),
3 the Secretary shall include in the terms of each
4 agreement with a covered entity for the award of
5 Federal financial assistance under this section prohi-
6 bitions with respect to a project relating to the pro-
7 curement, installation, or use of ineligible equip-
8 ment.

9 “(2) WAIVER.—The Secretary may waive the
10 prohibitions described in paragraph (1) if—

11 “(A) the ineligible equipment to be pur-
12 chased by the applicable covered entity is not
13 produced in the United States or an allied or
14 partner country in sufficient and reasonably
15 available quantities or of a satisfactory quality
16 to support established or expected production
17 capabilities; or

18 “(B)(i) the use of the ineligible equipment
19 complies with the requirements set forth in the
20 Export Administration Regulations, as defined
21 in section 1742 of the Export Control Reform
22 Act of 2018 (50 U.S.C. 4801); and

23 “(ii) the Secretary, in consultation with the
24 Director of National Intelligence or the Sec-
25 retary of Defense, determines the waiver is in

1 the national security interest of the United
2 States.

3 “(3) FOREIGN ENTITIES OF CONCERN.—Noth-
4 ing in this subsection shall be construed to waive the
5 application of section 9907.”.

6 (c) CONFORMING AMENDMENTS.—

7 (1) Section 48D(c)(1) of the Internal Revenue
8 Code of 1986 is amended by striking “section
9 9901(6) of the William M. (Mac) Thornberry Na-
10 tional Defense Authorization Act for Fiscal Year
11 2021” and inserting “section 9901 of the William
12 M. (Mac) Thornberry National Defense Authoriza-
13 tion Act for Fiscal Year 2021 (15 U.S.C. 4651)”.

14 (2) Section 50(a)(6)(D)(i) of the Internal Rev-
15 enue Code of 1986 is amended by striking “section
16 9901(7) of the William M. (Mac) Thornberry Na-
17 tional Defense Authorization Act for Fiscal Year
18 2021” and inserting “section 9901 of the William
19 M. (Mac) Thornberry National Defense Authoriza-
20 tion Act for Fiscal Year 2021 (15 U.S.C. 4651)”.

21 (3) Section 5949(j)(5) division E of James M.
22 Inhofe National Defense Authorization Act for Fis-
23 cal Year 2023 (41 U.S.C. 4713 note; Public Law
24 117–263) is amended by striking “paragraph (7) of
25 section 9901 of the William M. (Mac) Thornberry

1 National Defense Authorization Act for Fiscal Year
2 2021 (15 U.S.C. 4651), as added by section
3 103(a)(4) of the CHIPS Act of 2022 (division A of
4 Public Law 117–167)” and inserting “section 9901
5 of the William M. (Mac) Thornberry National De-
6 fense Authorization Act for Fiscal Year 2021 (15
7 U.S.C. 4651)”.

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