September 1, 2026

The Honorable Scott Bessent
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

cc:

The Honorable John Moolenaar
Chairman
House Select Committee on the Strategic Competition Between the United States and the Chinese Communist Party

The Honorable French Hill
Chairman
House Committee on Financial Services

The Honorable Warren Davidson
Chairman
Subcommittee on National Security, Illicit Finance, and International Financial Institutions
House Committee on Financial Services

Re: Treasury Must Close the Chinese Battery Component Loophole

Dear Secretary Bessent:

Consumer Action for a Strong Economy and the undersigned organizations urge the Department of the Treasury and the Internal Revenue Service to fully enforce the foreign-entity restrictions enacted through the One Big Beautiful Bill Act and prevent Chinese-controlled battery companies from accessing American manufacturing and energy tax incentives, including the Section 45X Advanced Manufacturing Production Credit and the Section 48E Clean Electricity Investment Credit, through U.S. subsidiaries, contractual arrangements, or nominally domestic operations.[1]

[1] https://www.irs.gov/pub/irs-irbs/irb26-11.pdf

Congress established these safeguards for a clear reason: federal tax policy should build independent American industrial capacity, support American workers, and reduce our reliance on supply chains controlled by the Chinese Communist Party.

Congress has already recognized this danger in the battery sector. The House Select Committee on the Chinese Communist Party has pressed Treasury over whether Gotion should receive U.S. taxpayer support and urged federal action concerning forced-labor risks in the supply chains of both Gotion and Contemporary Amperex Technology Co. Limited, or CATL. Those warnings rest on a straightforward principle: American taxpayers should not finance the expansion of Chinese-controlled battery companies inside the United States.[2]

SEMCORP and Green New Energy Materials present that same concern in a more immediate form. Chinese parent companies are establishing U.S. subsidiaries and domestic facilities that could position them to benefit from federal incentives while preserving Chinese ownership, technology, management, personnel, and supply-chain influence.

Emerging cases in Ohio and North Carolina demonstrate how a Chinese parent company can establish a nominally American operation, obtain favorable public treatment, and maintain dependence on Chinese ownership, technology, management, and personnel.[3][4]

SEMCORP, a major Chinese producer of lithium-ion battery separator film, established SEMCORP Manufacturing USA LLC to develop a facility in Sidney, Ohio. The project was promoted as a nearly $916 million investment that would create as many as 1,199 jobs.[5]

Recent reporting now raises serious questions about whether SEMCORP is building the American workforce and independent industrial capacity used to sell the project. After promising as many as 1,199 jobs, the company reduced its commitment to 300 and reports employing just over 120 people.[6] SEMCORP has acknowledged bringing workers to Ohio through L-1 visas, advertised positions identifying Mandarin as a preferred qualification, and reportedly transported foreign personnel between local hotels and the plant at unusual hours.

Ohio ultimately canceled a proposed state Job Creation Tax Credit because SEMCORP never executed the agreement. The company nevertheless continues to benefit from an active local

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2 https://chinaselectcommittee.house.gov/sites/evo-subsites/selectcommitteeontheccp.house.gov/files/evo-media-document/09.13.2023-letter-to-treasury-gotion-plant.pdf

3 https://independentnewsroom.com/p/exclusive-promised-jobs-are-gifted-to-foreigners-as-chinese-battery-company-faces-scrutiny

4 https://dailycaller.com/2026/07/30/this-chinese-company-imports-workers-and-is-accused-of-polluting-hungarys-water-it-also-gets-tax-breaks-in-us

5 https://www.prnewswire.com/news-releases/semcorp-to-invest-916-million-to-produce-critical-litihium-ion-battery-component-in-sidney-expanding-ohios-electric-vehicle-supply-chain-301540940.html

6 https://dailycaller.com/2026/07/30/this-chinese-company-imports-workers-and-is-accused-of-polluting-hungarys-water-it-also-gets-tax-breaks-in-us/

Community Reinvestment Area agreement, while a separate Enterprise Zone agreement for another parcel may be terminated for non-performance.[7]

SEMCORP's leadership history provides additional reason for scrutiny. When the Ohio project was announced, SEMCORP's international division was led by Jeff Liu, the former president and CEO of Fuyao Group North America.[8][9]

That connection is newly relevant. On July 23, 2026, the ranking member of the House Select Committee on the Chinese Communist Party launched an investigation, supported in a bipartisan fashion, into Fuyao's American operations, seeking information concerning its ownership, decision-making in China and the United States, labor practices, government subsidies, regulatory compliance, and relationships with the PRC government and Chinese Communist Party.[10][11]

The former Fuyao executive deploying the same strategies used in Fuyao gives Treasury additional reason to examine SEMCORP. Reporting suggests it is following a familiar model: establish an American subsidiary, obtain public support, rely on Chinese management and technical personnel, and promise that genuine American independence will come later.

A similar pattern is developing in North Carolina.

Green New Energy Materials is the U.S. manufacturing vehicle of Shenzhen Senior Technology Material Co., another Chinese battery-separator producer. The company plans to establish its first U.S. manufacturing operation in North Carolina with state and local incentive support. Its hiring materials have also identified Mandarin or Chinese-language ability as a preferred qualification for certain positions.[12][13]

SEMCORP and Green New Energy Materials therefore present the same policy concern Congress identified with CATL and Gotion, but in a more immediate and concrete form. SEMCORP is already operating in Ohio, already using personnel transferred from China, already benefiting from favorable local tax treatment, and already embedded within the American

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[7] https://dailycaller.com/2026/07/30/this-chinese-company-imports-workers-and-is-accused-of-polluting-hungarys-water-it-also-gets-tax-breaks-in-us/

[8] https://www.prnewswire.com/news-releases/semcorp-to-invest-916-million-to-produce-critical-litihium-ion-battery-component-in-sidney-expanding-ohios-electric-vehicle-supply-chain-301540940.html?utm_source=chatgpt.com

[9] https://dailycaller.com/2026/07/30/this-chinese-company-imports-workers-and-is-accused-of-polluting-hungarys-water-it-also-gets-tax-breaks-in-us/

[10] https://democrats-selectcommitteeontheccp.house.gov/media/press-releases/khanna-launches-investigation-fuyao-glass

[11] https://democrats-selectcommitteeontheccp.house.gov/media/press-releases/bipartisan-lawmakers-join-ranking-member-khanna-demand-overdue-doj-report

[12] https://www.commerce.nc.gov/news/press-releases/2024/05/02/north-carolinas-success-clean-energy-economy-continues-545-new-jobs-coming-lincoln-county

[13] https://dailycaller.com/2026/07/30/this-chinese-company-imports-workers-and-is-accused-of-polluting-hungarys-water-it-also-gets-tax-breaks-in-us/

battery-component market. The company denies that is seeking 45X tax credits presently but that seems certain to change when final guidance is issued, since eligibility would appear to be a key justification for its domestic investment in the first place.

These companies may point to American incorporation papers, domestic factory walls, and some American employees. Those formalities do not answer the question Congress directed Treasury to resolve: who ultimately controls the company, its technology, intellectual property, financing, equipment, key personnel, supplier relationships, profits, and strategic decisions?

That is the Chinese battery loophole Treasury must close.

The OBBBA's foreign-entity provisions were intended to prevent companies tied to China and other adversarial nations from capturing federal benefits through corporate restructuring, U.S.-based subsidiaries, licensing arrangements, supplier contracts, or other formalities that conceal continued foreign control.[14]

A Chinese parent company should not become eligible for American tax incentives merely because it creates a Delaware, Ohio, or North Carolina subsidiary. Nor should a facility qualify as independent American production when it remains dependent upon a prohibited foreign entity for its technology, intellectual property, equipment, components, financing, executives, engineers, or operational personnel.

Treasury's Notice 2026-15 is an important first step, but its Certification Safe Harbor creates a significant enforcement vulnerability. The notice permits taxpayers to rely on supplier certifications unless they know or have reason to know that a certification is inaccurate.[15]

That approach may be appropriate for ordinary suppliers. It is inadequate where a claimant, direct supplier, parent company, affiliate, technology licensor, equipment provider, or key contractor is owned or influenced by a prohibited foreign entity. In those cases, Treasury should require independent substantiation of ownership, contracts, payment flows, intellectual-property rights, equipment arrangements, personnel assignments, and upstream sourcing.

We therefore urge Treasury and the IRS to:

1. Strengthen consequences for false certifications. Treasury should require full recapture of any improperly claimed credit, impose all available accuracy-related penalties, and refer knowing misrepresentations for civil or criminal enforcement.

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[14] https://www.irs.gov/pub/irs-drop/n-26-15.pdf
[15] https://www.irs.gov/pub/irs-drop/n-26-15.pdf

2. Apply rigorous prohibited-foreign-entity review to claims under Section 45X and Section 48E. Treasury should ensure that Chinese-controlled companies cannot claim the Section 45X Advanced Manufacturing Production Credit for battery components, or benefit from the Section 48E Clean Electricity Investment Credit through grid-scale battery projects, merely by operating through a U.S.-incorporated subsidiary or nominally domestic project company.
3. Publicly clarify that domestic incorporation, final assembly in the United States, or partial domestic hiring does not by itself establish eligibility where meaningful control or material assistance remains tied to China.

Treasury should not wait until billions of taxpayer dollars have been claimed and Chinese-controlled supply chains have become entrenched before addressing these structures.

Congress has already sounded the alarm over CATL and Gotion. The developing investigation into Fuyao demonstrates why PRC investment structures must be examined before American communities and industries become dependent upon them. SEMCORP and Green New Energy Materials are now a direct test of whether Treasury will apply those lessons in time.

A factory does not become American merely because it stands in Ohio or North Carolina. A Chinese company does not become independent merely because it creates a Delaware subsidiary. And Chinese technology, executives, engineers, equipment, and supply chains do not become domestic merely because the finished component leaves an American loading dock.

The OBBBA drew a clear line. American tax incentives must build American-owned, American-controlled, and genuinely independent industrial capacity, not subsidize Beijing's industrial strategy through nominally domestic corporations.

We respectfully urge Treasury to strengthen its forthcoming guidance and explain clearly how it will prevent SEMCORP, Green New Energy Materials, and similarly structured companies from using American subsidiaries, contracts, or corporate formalities to circumvent the foreign-entity restrictions Congress enacted.

Sincerely,

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Kristen Walker, Senior Policy Analyst and
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