



December 27, 2022

Mr. Andrés Garcia  
Internal Revenue Service, Room 6526  
1111 Constitution Avenue NW  
Washington, DC 20224  
pra.comments@irs.gov

**Re: Notice and Request for Comments, Internal Revenue Service; Proposed Extension of Information Collection Request Submitted for Public Comment, Concerning Source of Income From Certain Space and Ocean Activities, Source of Communications Income (87 Fed. Reg. 65,287, October 28, 2022)**

Dear Mr. Garcia:

The U.S. Chamber of Commerce (“the Chamber”) appreciates the opportunity to submit the following comments in response to the Internal Revenue Service’s (“IRS”) recent notice and request for comments concerning the source of income from certain space and ocean activities.<sup>1</sup>

The Chamber’s membership includes businesses engaged in economic activities at multiple points within the space ecosystem, from rocket, satellite, and space vehicle manufacturing to space technology research and development as well as businesses providing and utilizing services from space-based assets. As such, our comments will focus on the source of income derived from certain space activities and are informed by a broad perspective of this developing economic sector.

In general, the Chamber believes that the current tax treatment of space-based income is sufficient, and we remain concerned about the implications of further action or rulemaking on this topic. Please refer to the comments below outlining our concerns.

**Existing Law and Jurisdictional Concerns:**

U.S. source-of-income rules generally derive from an attempt by Congress to identify the geographic locus of the economic activity or financial arrangements that generated the income.<sup>2</sup> Assets orbiting Earth, or any celestial body, are inevitably tied to a terrestrial entity. Any income derived from these assets is realized and taxed on the earth’s surface and therefore under the jurisdiction of existing tax laws. If businesses are already taxed for their space-based activities, it would be redundant to tax

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<sup>1</sup> 87 Fed. Reg. 65,287 (Oct. 28, 2022).

<sup>2</sup> See generally I.R.C. §§ 861–865.

them further. Furthermore, changes to the tax code remain under the purview of the United States Congress and any major changes to the federal tax laws must be approved by Congress.

### **Hinderance to the Development of a Future Space Economy:**

Economic activity in space is in its nascent phase. Both the public and private sector have yet to generate revenue from activity conducted solely in space. However, both sectors agree that space possesses great economic potential, and businesses and governments worldwide are looking to realize this potential through research and innovation. Placing new tax burdens on space-based activity, or even indicating the intent to do so, runs the risk of stifling investment and innovation and hinders the development of a space economy. Taxation has a demonstrable link and negative effect to the quantity and quality of innovation<sup>3 4</sup>. The U.S. Government should be identifying ways to promote economic development in space and looking to remove obstacles hindering progress in the establishment of a space economy.

### **Adverse Impact on National Security:**

Space is inherently linked to national security. From satellite communications and cloud computing to geospatial intelligence, there exists a growing reliance on space-based installations and technology for the function and security of our nation. Furthermore, there exists a need to further develop our capabilities in space to respond to adversaries that possess clear aims to weaponize space and develop capabilities to challenge the United States' historic dominance in this domain. Having already become a critical partner in providing launch capabilities for government satellites and space technology, the private sector is ready to develop and deliver these capabilities.

In its report titled *State of the Space Industrial Base 2021*, the U.S. Space Force, Air Force Research Laboratory, and the Defense Innovation Unit describe the need for “robust adoption of commercial space capabilities... and addressing the anemic funding to prototype, validate and accelerate innovative and disruptive space capabilities for national security.”<sup>5</sup> The Department of Defense (DoD) is expressing a clear desire to work with the private space sector and establish an environment that promotes innovation and facilitates the rapid development of cutting-edge space technologies in support of the United States' national security mission. Indeed, this is not the time to place unnecessary burdens, through taxation or other means, on the private space sector.

### **Conclusion:**

Thank you for the opportunity to respond to this request for comments. The Chamber welcomes meaningful dialogue on the U.S. government's role in space and the ways in which the public and private sectors can promote a bright future for this critical domain. The development and support of a

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<sup>3</sup> Ufuk Akcigitt, Stefanie Stantcheva, “Taxation and Innovation: What Do We Know?” (Becker Friedman Institute, May 6, 2020), Page 6, [https://bfi.uchicago.edu/wp-content/uploads/BFI\\_WP\\_202070.pdf](https://bfi.uchicago.edu/wp-content/uploads/BFI_WP_202070.pdf)

<sup>4</sup> Ufuk Akcigit, John Grigsby, Tom Nicholas, Stefanie Stantcheva, “Taxation and Innovation in the 20<sup>th</sup> Century” (Harvard Business School), Page 34, [https://scholar.harvard.edu/files/stantcheva/files/taxation\\_innovation.pdf](https://scholar.harvard.edu/files/stantcheva/files/taxation_innovation.pdf)

<sup>5</sup> J. Olson, S. Butow, E. Felt, T. Cooley, & J. Mozer, “State of the Space Industrial Base 2021” (United States Space Force, Defense Innovation Unit, and Air Force Research Laboratory, Page 9, [https://assets.ctfassets.net/3nanhbfrkOpc/43TeOTAmDYrym5DTDrhd3/a37eb4fac2bf9add1ab9f71299392043/Space\\_Industrial\\_Base\\_Workshop\\_2021\\_Summary\\_Report\\_-\\_Final\\_15\\_Nov\\_2021c.pdf](https://assets.ctfassets.net/3nanhbfrkOpc/43TeOTAmDYrym5DTDrhd3/a37eb4fac2bf9add1ab9f71299392043/Space_Industrial_Base_Workshop_2021_Summary_Report_-_Final_15_Nov_2021c.pdf)

robust space economy is critical to the economic and national security of the United States, and we must avoid erecting unnecessary barriers to progress at all costs.

Sincerely,

Christopher D. Roberti  
Senior Vice President  
Cyber, Space, and National Security Policy Division  
U.S. Chamber of Commerce

cc: William M. Paul, Principal Deputy Chief Counsel and Deputy Chief Counsel (Technical),  
Internal Revenue Service  
Peter H. Blessing, Associate Chief Counsel (International), Internal Revenue Service