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(Original Signature of Member)

119TH CONGRESS
2D SESSION

H. R.

To amend the Internal Revenue Code of 1986 to incentivize the domestic production and use of permanent magnets, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. MOOLENAAR introduced the following bill; which was referred to the Committee on _____

A BILL

To amend the Internal Revenue Code of 1986 to incentivize the domestic production and use of permanent magnets, 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 “Magnets Value Chain
5 Support Act of 2026”.

6 **SEC. 2. CONGRESSIONAL FINDINGS.**

7 Congress finds the following:

1 (1) The United States is strategically dependent
2 on foreign sources—principally the People’s Republic
3 of China—for magnet metals and permanent
4 magnets used in electric motors, generators, robot-
5 ics, industrial machinery, advanced electronics, and
6 national defense systems.

7 (2) In 2025, a Select Committee on China in-
8 vestigation found that the PRC government engaged
9 in a decades-long strategy to dominate the rare
10 earth supply chain.

11 (3) Domestic metallization and magnet-manu-
12 facturing capabilities have atrophied and require tar-
13 geted, market-oriented incentives to restore competi-
14 tive production and reduce foreign dependence.

15 (4) Motors, generators, robotics, and high-per-
16 formance electronics constitute the majority of glob-
17 al permanent magnet demand and are essential to
18 the economic and national security of the United
19 States.

20 (5) Reshoring the magnet supply chain requires
21 both upstream incentives for magnet metal and per-
22 manent magnet production, and downstream incen-
23 tives for the adoption of such materials by indus-
24 trial, energy, automotive, aerospace, and electronics
25 manufacturers.

1 (6) Competitive market incentives are necessary
2 to counter non-market foreign production and to
3 strengthen the domestic industrial base.

4 **SEC. 3. ESTABLISHMENT OF MAGNET VALUE CHAIN SUP-**
5 **PORT CREDIT.**

6 (a) IN GENERAL.—Subpart D of part IV of sub-
7 chapter A of chapter 1 of the Internal Revenue Code of
8 1986 is amended by adding at the end the following new
9 section:

10 **“SEC. 45BB. MAGNET VALUE CHAIN SUPPORT CREDIT.**

11 “(a) ALLOWANCE OF CREDIT.—For purposes of sec-
12 tion 38, the magnet value chain support credit for any
13 taxable year is an amount equal to the sum of—

14 “(1) the permanent magnet production credit,

15 “(2) the magnet metal production credit, plus

16 “(3) the rare earth oxide production credit.

17 “(b) PERMANENT MAGNET PRODUCTION CREDIT;
18 MAGNET METAL PRODUCTION CREDIT; RARE EARTH
19 OXIDE PRODUCTION CREDIT.—For purposes of this sec-
20 tion—

21 “(1) PERMANENT MAGNET PRODUCTION CRED-
22 IT.—

23 “(A) IN GENERAL.—The permanent mag-
24 net production credit with respect to any eligi-
25 ble taxpayer for any taxable year is the applica-

1 ble amount with respect to each kilogram of
2 qualified permanent magnet—

3 “(i) manufactured by such taxpayer
4 during such taxable year in the United
5 States, and

6 “(ii) sold by such taxpayer to an unre-
7 lated person during such taxable year.

8 “(B) APPLICABLE AMOUNT.—For purposes
9 of subparagraph (A), the term ‘applicable
10 amount’ means, with respect to each kilogram
11 of qualified permanent magnet—

12 “(i) \$20 per kilogram, if—

13 “(I) such permanent magnet is a
14 rare earth-free permanent magnet,
15 and

16 “(II) none of the magnet metal
17 inputs incorporated within such per-
18 manent magnet were produced by a
19 prohibited foreign entity,

20 “(ii) \$20 per kilogram, if—

21 “(I) such permanent magnet is a
22 high-performance permanent magnet,

23 “(II) at least 75 percent of the
24 magnet metal inputs (by weight) in-
25 corporated within such permanent

1 magnet were produced in the United
2 States or in a partner country, and

3 “(III) none of the magnet metal
4 inputs incorporated within such per-
5 manent magnet were produced by a
6 prohibited foreign entity,

7 “(iii) \$30 per kilogram, if—

8 “(I) such permanent magnet is a
9 high-performance permanent magnet,

10 “(II) at least 90 percent of the
11 magnet metal inputs (by weight) in-
12 corporated within such permanent
13 magnet were produced in the United
14 States or in a partner country, and

15 “(III) none of the magnet metal
16 inputs incorporated within such per-
17 manent magnet were produced by a
18 prohibited foreign entity,

19 “(iv) \$33 per kilogram, if—

20 “(I) such permanent magnet is
21 an advanced high-performance perma-
22 nent magnet,

23 “(II) at least 75 percent of the
24 magnet metal inputs (by weight) in-
25 corporated within such permanent

1 magnet were produced in the United
2 States or in a partner country, and

3 “(III) none of the magnet metal
4 inputs incorporated within such per-
5 manent magnet were produced by a
6 prohibited foreign entity, and

7 “(v) \$40 per kilogram, if—

8 “(I) such permanent magnet is
9 an advanced high-performance perma-
10 nent magnet,

11 “(II) at least 90 percent of the
12 magnet metal inputs (by weight) in-
13 corporated within such permanent
14 magnet were produced in the United
15 States or in a partner country, and

16 “(III) none of the magnet metal
17 inputs incorporated within such per-
18 manent magnet were produced by a
19 prohibited foreign entity.

20 “(C) ELIGIBLE TAXPAYER.—For purposes
21 of subparagraph (A), the term ‘eligible tax-
22 payer’ means any taxpayer who certifies to the
23 Secretary (at such time and in such manner as
24 the Secretary may prescribe) that at least 3
25 percent of such taxpayer’s annual domestic pro-

1 duction capacity of qualified permanent
2 magnets has been maintained in an available
3 and unencumbered state, capable of accepting
4 and fulfilling orders placed pursuant to—

5 “(i) a priority rating under the De-
6 fense Priorities and Allocations System, as
7 established by the Defense Production Act
8 of 1950, or

9 “(ii) a contract entered into under
10 chapter 137 of title 10, United States
11 Code.

12 The Secretary may waive the requirement of the
13 preceding sentence with respect to any taxpayer if
14 the Secretary determines that such requirement
15 would impose an undue burden given the taxpayer’s
16 production scale or stage of development. In the case
17 of a taxpayer who otherwise fails to comply with
18 such requirements, any credit allowed under this
19 section shall be recaptured in such manner as the
20 Secretary determines appropriate.

21 “(2) MAGNET METAL PRODUCTION CREDIT.—

22 “(A) IN GENERAL.—The magnet metal
23 production credit with respect to any taxpayer
24 for any taxable year is the applicable amount

1 with respect to each kilogram of magnet
2 metal—

3 “(i) produced by such taxpayer during
4 such taxable year in the United States,
5 and

6 “(ii) either—

7 “(I) sold by such taxpayer to an
8 unrelated person during such taxable
9 year for use in an eligible production
10 step, or

11 “(II) used by such taxpayer for
12 an eligible production step during
13 such taxable year.

14 “(B) APPLICABLE AMOUNT.—For purposes
15 of subparagraph (A), the term ‘applicable
16 amount’ means, with respect to each kilogram
17 of magnet metal—

18 “(i) \$15 per kilogram, if—

19 “(I) at least 75 percent of any
20 rare earth oxides or metallic precursors
21 (by weight) used in the production
22 of such magnet metal were produced
23 or refined in the United States
24 or in a partner country, and

1 “(II) none of the magnet metal
2 inputs were produced by a prohibited
3 foreign entity, and

4 “(ii) \$25 per kilogram, if—

5 “(I) at least 90 percent of any
6 rare earth oxides or metallic precursors (by weight) used in the production of such magnet metal were produced or refined in the United States,
7 and
8 and
9 and
10 and

11 “(II) none of the magnet metal
12 inputs were produced by a prohibited
13 foreign entity.

14 “(C) DENIAL OF CREDIT.—No credit shall
15 be allowed under this section for any magnet
16 metal with respect to which a credit has been
17 allowed under section 45X for the same taxable
18 year. The taxpayer shall elect, prior to claiming
19 a credit under this section, whether to claim
20 such credit under this section or under section
21 45X, and such election shall be irrevocable for
22 the taxable year.

23 “(3) RARE EARTH OXIDE PRODUCTION CRED-
24 IT.—

1 “(A) IN GENERAL.—The rare earth oxide
2 production credit with respect to any taxpayer
3 for any taxable year is \$5 per kilogram of any
4 qualified rare earth oxide—

5 “(i) produced by such taxpayer during
6 such taxable year in the United States,
7 and

8 “(ii) either—

9 “(I) sold by such taxpayer to an
10 unrelated person during such taxable
11 year for use in an eligible production
12 step, or

13 “(II) used by such taxpayer for
14 an eligible production step during
15 such taxable year.

16 “(B) DENIAL OF CREDIT.—No credit shall
17 be allowed under this section for any qualified
18 rare earth oxide with respect to which a credit
19 has been allowed under section 45X for the
20 same taxable year. The taxpayer shall elect,
21 prior to claiming a credit under this section,
22 whether to claim such credit under this section
23 or under section 45X, and such election shall be
24 irrevocable for the taxable year.

25 “(c) DEFINITIONS.—For purposes of this section—

1 “(1) QUALIFIED PERMANENT MAGNET.—

2 “(A) IN GENERAL.—The term ‘qualified
3 permanent magnet’ means any permanent mag-
4 net—

5 “(i) which is comprised entirely of eli-
6 gible materials, and

7 “(ii) which is—

8 “(I) a rare earth-free permanent
9 magnet,

10 “(II) a high-performance perma-
11 nent magnet,

12 “(III) an advanced high-perform-
13 ance permanent magnet, or

14 “(IV) a specified permanent
15 magnet.

16 “(B) RARE EARTH-FREE PERMANENT
17 MAGNET.—The term ‘rare earth-free permanent
18 magnet’ means any permanent magnet—

19 “(i) within which no rare earth ele-
20 mental constituents are incorporated,

21 “(ii) which has an intrinsic coercivity
22 (HC_j) of at least 2 kilooersteds at 302 de-
23 grees Fahrenheit (150 degrees Celsius),
24 and

1 “(iii) which has a magnetic remanence
2 (Br) of at least 8 kilogauss (0.8 Tesla) at
3 68 degrees Fahrenheit (20 degrees Cel-
4 sius).

5 For purposes of the preceding sentence, the in-
6 trinsic coercivity and remanence requirements
7 shall be determined on the permanent magnet
8 final product and may not be satisfied through
9 measurements conducted on powders, flakes,
10 compacts, billets, or other intermediate pre-
11 cursor forms.

12 “(C) HIGH-PERFORMANCE PERMANENT
13 MAGNET.—The term ‘high-performance perma-
14 nent magnet’ means any permanent magnet
15 with an intrinsic coercivity (HCj) of at least 10
16 kiloersteds at 68 degrees Fahrenheit (20 de-
17 grees Celsius). For purposes of the preceding
18 sentence, the intrinsic coercivity requirement
19 shall be determined on the permanent magnet
20 final product and may not be satisfied through
21 measurements conducted on powders, flakes,
22 compacts, billets, or other intermediate pre-
23 cursor forms.

24 “(D) ADVANCED HIGH-PERFORMANCE
25 PERMANENT MAGNET.—The term ‘advanced

1 high-performance permanent magnet’ means
2 any permanent magnet—

3 “(i) with an intrinsic coercivity (HCj)
4 of at least 20 kilooersteds at 68 degrees
5 Fahrenheit (20 degrees Celsius), and

6 “(ii) with a magnetic remanence (Br)
7 of at least 12 kilogauss (1.2 Tesla) at 68
8 degrees Fahrenheit (20 degrees Celsius).

9 For purposes of the preceding sentence, the in-
10 trinsic coercivity and magnetic remanence re-
11 quirements shall be determined on the perma-
12 nent magnet final product and may not be sat-
13 isfied through measurements conducted on pow-
14 ders, flakes, compacts, billets, or other inter-
15 mediate precursor forms.

16 “(E) SPECIFIED PERMANENT MAGNET.—

17 “(i) IN GENERAL.—The term ‘speci-
18 fied permanent magnet’ means any perma-
19 nent magnet—

20 “(I) within which no rare earth
21 elemental constituents are incor-
22 porated, and

23 “(II) which is manufactured in
24 the United States—

1 “(aa) pursuant to a grant
2 from, or contract with, the De-
3 partment of Defense or the De-
4 partment of Energy—

5 “(AA) valued at
6 \$5,000,000 or greater, and

7 “(BB) specifically for
8 the production of permanent
9 magnets at commercial or
10 pilot-production scale, and

11 “(bb) by a taxpayer who
12 commits (in such manner as the
13 Secretary may prescribe) to place
14 in service within the United
15 States a qualified permanent
16 magnet manufacturing facility
17 which meets such standards as
18 the Secretary, in consultation
19 with the Secretary of Defense
20 and the Secretary of Energy, de-
21 termines to demonstrate techno-
22 logical, supply chain, or national
23 security merit.

24 A permanent magnet meeting the re-
25 quirements of subclauses (I) and (II)

1 shall be treated as a specified perma-
2 nent magnet unless the Secretary, in
3 consultation with the Secretary of De-
4 fense and the Secretary of Energy,
5 determines within 120 days of receiv-
6 ing notification from the taxpayer (in
7 such form and manner as the Sec-
8 retary shall prescribe) that such mag-
9 net does not demonstrate techno-
10 logical, supply chain, or national secu-
11 rity merit. If the Secretary does not
12 make such a determination within 120
13 days, the magnet shall be conclusively
14 treated as a specified permanent mag-
15 net for the taxable year and all subse-
16 quent taxable years until the Sec-
17 retary makes a determination to the
18 contrary upon review. The Secretary
19 shall review each determination under
20 this clause not less frequently than
21 every 3 years.

22 “(ii) TERMINATION.—No permanent
23 magnet may be treated as a specified per-
24 manent magnet in any taxable year begin-

1 ning after December 31, 2031 unless such
2 period is extended by the Secretary.

3 “(F) ELIGIBLE MATERIALS.—The term ‘el-
4 igible materials’ means—

5 “(i) neodymium-iron-boron alloys,

6 “(ii) samarium-cobalt alloys,

7 “(iii) alnico alloys,

8 “(iv) ferrite alloys,

9 “(v) iron-nitride magnets,

10 “(vi) manganese-based permanent
11 magnet alloys, and

12 “(vii) any other alloy, successor, or
13 compound determined by the Secretary
14 to—

15 “(I) be appropriate for the manu-
16 facture of a permanent magnet de-
17 scribed in subparagraph (B), (C), (D),
18 or (E), and

19 “(II) be essential for motors,
20 generators, robotics, energy systems,
21 or advanced electronic systems.

22 “(G) MANUFACTURED.—The term ‘manu-
23 factured’ means the processes necessary to form
24 a sintered permanent magnet body, including
25 alloy production, milling, pressing, and sinter-

1 ing. Such term includes sintered magnet blocks,
2 whether or not subsequently machined, coated,
3 or magnetized.

4 “(2) QUALIFIED RARE EARTH OXIDE.—The
5 term ‘qualified rare earth oxide’ means any sepa-
6 rated rare earth oxide, including neodymium oxide,
7 praseodymium oxide, neodymium-praseodymium
8 oxide, samarium oxide, dysprosium oxide, terbium
9 oxide, dysprosium-terbium oxide, and such other
10 separated rare earth oxides as the Secretary deter-
11 mines are essential to the production of qualified
12 permanent magnets, which—

13 “(A) is produced in the United States,

14 “(B) is not derived from, or processed
15 using, any materials, technology, or services of
16 a prohibited foreign entity, and

17 “(C) is produced pursuant to a binding
18 offtake agreement for use in the production of
19 rare earth metals, alloys, or permanent magnets
20 in the United States or in a partner country.

21 “(3) MAGNET METAL.—The term ‘magnet
22 metal’ means neodymium, praseodymium, neodym-
23 ium-praseodymium alloy, dysprosium, terbium, dys-
24 prosium-terbium alloy, samarium, gadolinium, co-

1 balt, iron nitride, and any successor permanent mag-
2 net precursor materials.

3 “(4) MAGNET METAL INPUT.—The term ‘mag-
4 net metal input’ means, for purposes of calculating
5 content threshold under this section, the rare earth
6 elemental metallic constituents intentionally incor-
7 porated into a permanent magnet alloy to impart or
8 enhance permanent magnetic properties, including
9 neodymium, praseodymium, neodymium-praseo-
10 dymium alloys, dysprosium, terbium, dysprosium-
11 terbium alloy, samarium, gadolinium, and any other
12 rare earth element listed as a magnet metal under
13 paragraph (3), measured on a contained-metal basis.
14 Permanent magnets that do not incorporate rare
15 earth elemental constituents and that are described
16 in subparagraph (B), (C), (D), or (E) of paragraph
17 (1) shall be deemed to satisfy the magnet metal
18 input requirements of clauses (i) through (v) of sub-
19 section (b)(1)(B) without further threshold calcula-
20 tion.

21 “(5) ELIGIBLE PRODUCTION STEP.—The term
22 ‘eligible production step’ means—

23 “(A) the manufacturing of qualified per-
24 manent magnets for purposes of the permanent
25 magnet production credit,

1 “(B) the production of magnet metals for
2 purposes of the magnet metal production credit,
3 and

4 “(C) the production of qualified rare earth
5 oxides for purposes of the rare earth oxide pro-
6 duction credit.

7 “(6) PARTNER COUNTRY.—

8 “(A) IN GENERAL.—The term ‘partner
9 country’ means—

10 “(i) any member state of the North
11 Atlantic Treaty Organization,

12 “(ii) Japan,

13 “(iii) Australia,

14 “(iv) South Korea,

15 “(v) Canada, and

16 “(vi) Mexico.

17 “(B) FACILITY DESIGNATION.—The Sec-
18 retary, in consultation with the Secretary of
19 Defense, the Secretary of Commerce, and the
20 United States Trade Representative, may des-
21 ignate a specific facility located in a non-part-
22 ner country as a qualifying facility for purposes
23 of this section if the Secretary determines
24 that—

1 “(i) the facility is not owned, con-
2 trolled, or influenced by a prohibited for-
3 eign entity,

4 “(ii) the facility operates under supply
5 chain transparency, traceability, and ex-
6 port control practices consistent with those
7 required of facilities located in partner
8 countries, and

9 “(iii) such designation shall serve the
10 national security and supply chain resil-
11 ience objectives of this section.

12 Materials produced at a facility designated under the
13 preceding sentence shall be treated as produced in a
14 partner country for purposes of this section. The
15 Secretary shall submit to Congress notification of
16 any such designation not later than 30 days before
17 it takes effect, and shall review each designation not
18 less frequently than every 3 years.

19 “(7) PROHIBITED FOREIGN ENTITY.—The term
20 ‘prohibited foreign entity’ has the meaning given
21 such term in section 7701(a)(51)(A).

22 “(d) SPECIAL RULES.—For purposes of this sec-
23 tion—

24 “(1) ELECTION REQUIRED.—This section shall
25 not apply unless the taxpayer has elected (at such

1 time and in such manner as the Secretary may pre-
2 scribe) the application of this section. Such election
3 shall apply to the taxable year for which it is made
4 and all subsequent taxable years and may not be re-
5 voked.

6 “(2) DENIAL OF DOUBLE BENEFIT.—No credit
7 shall be allowed under this section with respect to
8 any material for which a credit is granted under sec-
9 tion 45X.

10 “(3) PROHIBITED FOREIGN ENTITY RESTRIC-
11 TION.—

12 “(A) IN GENERAL.—No credit shall be al-
13 lowed under this section for any material—

14 “(i) metallized, alloyed, or refined by
15 a prohibited foreign entity,

16 “(ii) manufactured as a permanent
17 magnet by a prohibited foreign entity,

18 “(iii) which incorporates magnet met-
19 als sourced from a prohibited foreign enti-
20 ty, or

21 “(iv) sold or transferred by the tax-
22 payer to a prohibited foreign entity.

23 “(B) WAIVERS; REPORTS.—The Secretary
24 may provide waivers for periods of no longer
25 than 90 days at a time if no commercially rea-

1 sonable non-prohibited foreign entity alternative
2 is available. Not later than 30 days after grant-
3 ing any waiver under this subparagraph, the
4 Secretary shall submit to the Committee on
5 Ways and Means of the House of Representa-
6 tives and the Committee on Finance of the Sen-
7 ate a report describing—

8 “(i) the identity of the recipient,

9 “(ii) the specific prohibited foreign en-
10 tity material or input for which the waiver
11 was granted,

12 “(iii) the duration of the waiver, and

13 “(iv) the basis for the Secretary’s de-
14 termination that no commercially reason-
15 able non-prohibited foreign entity alter-
16 native was available.

17 “(4) TIERED APPLICATION OF CREDITS.—

18 “(A) IN GENERAL.—A separate credit shall
19 be allowed under this section for each eligible
20 production step performed by the taxpayer in
21 the United States, provided that no more than
22 one credit shall be allowed per eligible produc-
23 tion step with respect to the same quantity of
24 material.

1 “(B) NO DOUBLE COUNTING.—A credit
2 shall not be allowed under this section for any
3 quantity of material for which a credit has al-
4 ready been claimed under the same eligible pro-
5 duction step by any taxpayer.

6 “(C) COORDINATION RULE.—The Sec-
7 retary shall prescribe regulations to prevent du-
8 plication of credits under this section and any
9 successor provision with respect to the same
10 quantity of material.

11 “(5) INELIGIBLE MATERIALS.—No credit shall
12 be allowed under this section with respect to—

13 “(A) any rare earth oxide, including a
14 qualified rare earth oxide, unless such oxide is
15 produced pursuant to a binding offtake agree-
16 ment for use in the production of an eligible
17 rare earth metal, alloy, or permanent magnet
18 for which a credit is allowable under this sec-
19 tion,

20 “(B) any rare earth oxide, metal, alloy, or
21 permanent magnet that is produced for stock-
22 piling, resale, or export, except that a rare
23 earth oxide, metal, alloy, or permanent mag-
24 net—

1 “(i) which is exported to a partner
2 country pursuant to a binding offtake
3 agreement for use in an eligible production
4 step that would qualify under this section
5 if performed in the United States shall not
6 be treated as export for purposes of this
7 subparagraph, as certified by the taxpayer
8 in such form and manner as the Secretary
9 shall prescribe, and

10 “(ii) which is sold to the United
11 States Government, pursuant to a program
12 or authority established for national secu-
13 rity, defense readiness, or strategic mate-
14 rials reserve purposes shall not be treated
15 as stockpiling for purposes of this subpara-
16 graph, or

17 “(C) any material with respect to which a
18 credit has previously been allowed under this
19 section or any successor provision for the same
20 quantity of material.

21 “(6) DISCLOSURE AND REPORTING REQUIRE-
22 MENTS.—

23 “(A) IN GENERAL.—No credit shall be al-
24 lowed under this section unless the taxpayer
25 submits, at such time and in such manner as

1 the Secretary may prescribe, information re-
2 garding—

3 “(i) the origin and processing loca-
4 tions of any rare earth oxides, metals, al-
5 loys, and permanent magnets used in any
6 eligible production step,

7 “(ii) the identification of all material
8 suppliers and downstream purchasers asso-
9 ciated with any eligible production step,

10 “(iii) the volume of eligible materials
11 produced, sold, or transferred,

12 “(iv) the existence and duration of
13 any binding offtake agreements relevant to
14 such materials,

15 “(v) transaction prices, price for-
16 mulas, or indexed pricing terms for the
17 sale or transfer of rare earth oxides, met-
18 als, alloys, permanent magnets, and cov-
19 ered downstream products associated with
20 any eligible production step, including
21 identification of any benchmark or ref-
22 erence index used, and

23 “(vi) such other information as the
24 Secretary determines appropriate.

1 “(B) USE OF INFORMATION; CONFIDEN-
2 TIALITY.—Any information submitted to the
3 Secretary under subparagraph (A) may be used
4 for supply chain risk assessment, market moni-
5 toring, and other purposes determined appro-
6 priate by the Secretary for the administration
7 of this section. The Secretary shall protect from
8 public disclosure any information submitted
9 under subparagraph (A) that constitutes con-
10 fidential business information, trade secrets, or
11 proprietary commercial data, consistent with
12 applicable law.

13 “(e) REGULATIONS.—The Secretary shall prescribe
14 such regulations or other guidance as may be necessary
15 or appropriate to carry out the purposes of this section.

16 “(f) TERMINATION.—This section shall not apply to
17 any taxable year beginning after December 31, 2038.”.

18 (b) CREDIT ALLOWED AS PART OF GENERAL BUSI-
19 NESS CREDIT.—Section 38(b) of such Code is amended
20 by striking “plus” at the end of paragraph (40), by strik-
21 ing the period at the end of paragraph (41) and inserting
22 “, plus”, and by adding at the end the following new para-
23 graph:

24 “(42) the magnet value chain support credit de-
25 termined under section 45BB(a).”.

1 (c) CREDIT TRANSFERABLE.—Section 6418(f)(1)(A)
2 of such Code is amended by adding at the end the fol-
3 lowing new clause:

4 “(xiii) The magnet value chain sup-
5 port credit determined under section
6 45BB(a).”.

7 (d) CLERICAL AMENDMENT.—The table of sections
8 for subpart D of part IV of subchapter A of chapter 1
9 of such Code is amended by adding after the item relating
10 to section 45AA the following new item:

“Sec. 45BB. Magnet value chain support credit.”.

11 (e) EFFECTIVE DATE.—The amendments made by
12 this section shall apply to taxable years beginning after
13 December 31, 2026.

14 **SEC. 4. ESTABLISHMENT OF DOMESTIC MAGNET INPUT**
15 **USAGE CREDIT.**

16 (a) IN GENERAL.—Subpart D of part IV of sub-
17 chapter A of chapter 1 of the Internal Revenue Code of
18 1986 (as amended by section 3(a)) is amended by adding
19 at the end the following new section:

20 **“SEC. 45CC. DOMESTIC MAGNET INPUT USAGE CREDIT.**

21 “(a) ALLOWANCE OF CREDIT.—For purposes of sec-
22 tion 38, the domestic magnet input usage credit for any
23 taxable year is an amount equal to the applicable percent-
24 age of qualified domestic magnet expenditures paid or in-
25 curred by the taxpayer during such taxable year in connec-

1 tion with the manufacture of a covered product in the
2 United States.

3 “(b) APPLICABLE PERCENTAGE.—For purposes of
4 this section, the applicable percentage with respect to any
5 qualified domestic magnet expenditures paid or incurred
6 during any taxable year is an amount equal to—

7 “(1) 15 percent, in the case of such expendi-
8 tures being paid or incurred in taxable years begin-
9 ning before January 1, 2035,

10 “(2) 10 percent, in the case of such expendi-
11 tures being paid or incurred in taxable years begin-
12 ning after December 31, 2034, and ending before
13 January 1, 2037, and

14 “(3) 5 percent, in the case of such expenditures
15 being paid or incurred in taxable years beginning
16 after December 31, 2036, and ending before Janu-
17 ary 1, 2039.

18 “(c) QUALIFIED DOMESTIC MAGNET EXPENDI-
19 TURES.—

20 “(1) IN GENERAL.—For purposes of this sec-
21 tion, the term ‘qualified domestic magnet expendi-
22 tures’ means any amounts paid or incurred by the
23 taxpayer to an unrelated person for qualified perma-
24 nent magnets (as defined in section 45BB(c)(1)(A))
25 which—

1 “(A) are manufactured (as defined in sec-
2 tion 45BB(e)(1)(G)) in the United States,

3 “(B) are not sourced from a prohibited
4 foreign entity, and

5 “(C) are substantiated (by documentation
6 maintained by the taxpayer to the extent suffi-
7 cient to support the credit claimed under this
8 section) with respect to purchase price, supplier
9 identity, quantity, and country of production.

10 “(2) ANTI-MANIPULATION RULE.—For pur-
11 poses of paragraph (1), the purchase price used to
12 calculate qualified domestic magnet expenditures
13 shall not exceed the arm’s-length price for qualified
14 permanent magnets, as determined under principles
15 consistent with section 482. The Secretary shall pre-
16 scribe regulations establishing safe harbors for
17 arm’s-length pricing of domestic permanent
18 magnets, including by reference to published bench-
19 mark prices where available.

20 “(d) ELECTION AND NON-DUPLICATION.—A tax-
21 payer shall not claim a credit under this section for any
22 qualified domestic magnet expenditure for which a deduc-
23 tion has otherwise been taken under this chapter. The Sec-
24 retary shall prescribe regulations to prevent any double

1 recovery of the same cost under both credits with respect
2 to the same quantity of magnet material.

3 “(e) COVERED PRODUCTS.—

4 “(1) IN GENERAL.—For purposes of this sec-
5 tion, and except as provided in paragraph (2), the
6 term ‘covered products’ means—

7 “(A) any core powertrain or generation
8 component, including motors, generators, and
9 rotating electrical machinery, used in any high-
10 performance electronic device incorporating per-
11 manent magnets essential to cooling, actuation,
12 data storage, robotics, or telecommunications,
13 or

14 “(B) any core powertrain or generation
15 component, including motors, generators, and
16 rotating electrical machinery, used in power
17 conversion, including server-grade computers,
18 telecommunications equipment, robotics sys-
19 tems, manned and unmanned aerial vehicles,
20 manned and unmanned surface vessels, manned
21 and unmanned underwater vehicles and
22 submersibles, medical devices, precision muni-
23 tions, attritable munitions, guided munitions,
24 infrared tracking systems, gimbals and optics,
25 and other critical defense applications.

1 “(2) EXCLUDED PRODUCTS.—For purposes of
2 paragraph (1), the term ‘covered products’ does not
3 include—

4 “(A) low-power consumer appliances or
5 disposable devices, including toasters, blenders,
6 basic kitchen appliances, handheld vacuums,
7 hair dryers, consumer-grade fans, toys, and
8 novelty electronics, and

9 “(B) any other product that the Secretary
10 determines, by regulation, to be non-strategic
11 for purposes of this section, provided that such
12 determination shall not apply to any product
13 that the Secretary finds to be materially impor-
14 tant to United States industrial capacity, tech-
15 nological leadership, supply-chain resilience, or
16 national security.

17 “(f) OTHER DEFINITIONS.—Except as otherwise pro-
18 vided in this section, terms used in this section which are
19 also used in section 45BB shall have the same meaning
20 as when used in such section.

21 “(g) PROHIBITED FOREIGN ENTITY RESTRICTION.—
22 No credit shall be allowed under this section if any perma-
23 nent magnet, magnet metal input, or precursor material
24 input used in the covered product was manufactured by
25 a prohibited foreign entity.

1 “(h) TERMINATION.—This section shall not apply to
2 any taxable year beginning after December 31, 2038.”.

3 (b) CREDIT ALLOWED AS PART OF GENERAL BUSI-
4 NESS CREDIT.—Section 38(b) of such Code (as amended
5 by section 3(b)) is amended by striking “plus” at the end
6 of paragraph (41), by striking the period at the end of
7 paragraph (42) and inserting “, plus”, and by adding at
8 the end the following new paragraph:

9 “(43) the domestic magnet input usage credit
10 determined under section 45CC(a).”.

11 (c) CLERICAL AMENDMENT.—The table of sections
12 for subpart D of part IV of subchapter A of chapter 1
13 of such Code (as amended by section 3(d)) is amended
14 by adding after the item relating to section 45BB the fol-
15 lowing new item:

 “Sec. 45CC. Domestic magnet input usage credit.”.

16 (d) EFFECTIVE DATE.—The amendments made by
17 this section shall apply to taxable years beginning after
18 December 31, 2026.