

119<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 9227

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

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 9, 2026

Mr. MOOLENAAR (for himself and Mr. KHANNA) introduced the following bill;  
which was referred to the Committee on Ways and Means

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## 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:

8 (1) The United States is strategically dependent  
9 on foreign sources—principally the People’s Republic  
10 of China—for magnet metals and permanent

1 magnets used in electric motors, generators, robot-  
2 ics, industrial machinery, advanced electronics, and  
3 national defense systems.

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

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

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

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

23 (6) Competitive market incentives are necessary  
24 to counter non-market foreign production and to  
25 strengthen the domestic industrial base.

1 **SEC. 3. ESTABLISHMENT OF MAGNET VALUE CHAIN SUP-**  
2 **PORT CREDIT.**

3 (a) IN GENERAL.—Subpart D of part IV of sub-  
4 chapter A of chapter 1 of the Internal Revenue Code of  
5 1986 is amended by adding at the end the following new  
6 section:

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

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

11 “(1) the permanent magnet production credit,

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

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

14 “(b) PERMANENT MAGNET PRODUCTION CREDIT;  
15 MAGNET METAL PRODUCTION CREDIT; RARE EARTH  
16 OXIDE PRODUCTION CREDIT.—For purposes of this sec-  
17 tion—

18 “(1) PERMANENT MAGNET PRODUCTION CRED-  
19 IT.—

20 “(A) IN GENERAL.—The permanent mag-  
21 net production credit with respect to any eligi-  
22 ble taxpayer for any taxable year is the applica-  
23 ble amount with respect to each kilogram of  
24 qualified permanent magnet—

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

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

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

10 “(i) \$20 per kilogram, if—

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

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

18 “(ii) \$20 per kilogram, if—

19 “(I) such permanent magnet is a  
20 high-performance permanent magnet,

21 “(II) at least 75 percent of the  
22 magnet metal inputs (by weight) in-  
23 corporated within such permanent  
24 magnet were produced in the United  
25 States or in a partner country, and

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

5 “(iii) \$30 per kilogram, if—

6 “(I) such permanent magnet is a  
7 high-performance permanent magnet,

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

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

17 “(iv) \$33 per kilogram, if—

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

21 “(II) at least 75 percent of the  
22 magnet metal inputs (by weight) in-  
23 corporated within such permanent  
24 magnet were produced in the United  
25 States or in a partner country, and

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

5           “(v) \$40 per kilogram, if—

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

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

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

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

1 and unencumbered state, capable of accepting  
2 and fulfilling orders placed pursuant to—

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

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

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

19 “(2) MAGNET METAL PRODUCTION CREDIT.—

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

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

4 “(ii) either—

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

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

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

16 “(i) \$15 per kilogram, if—

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

23 “(II) none of the magnet metal  
24 inputs were produced by a prohibited  
25 foreign entity, and

1 “(ii) \$25 per kilogram, if—

2 “(I) at least 90 percent of any  
3 rare earth oxides or metallic precur-  
4 sors (by weight) used in the produc-  
5 tion of such magnet metal were pro-  
6 duced or refined in the United States,  
7 and

8 “(II) none of the magnet metal  
9 inputs were produced by a prohibited  
10 foreign entity.

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

20 “(3) RARE EARTH OXIDE PRODUCTION CRED-  
21 IT.—

22 “(A) IN GENERAL.—The rare earth oxide  
23 production credit with respect to any taxpayer  
24 for any taxable year is \$5 per kilogram of any  
25 qualified rare earth oxide—

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

4           “(ii) either—

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

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

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

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

22                   “(1) QUALIFIED PERMANENT MAGNET.—

23                           “(A) IN GENERAL.—The term ‘qualified  
24                           permanent magnet’ means any permanent mag-  
25                           net—

1 “(i) which is comprised entirely of eli-  
2 gible materials, and

3 “(ii) which is—

4 “(I) a rare earth-free permanent  
5 magnet,

6 “(II) a high-performance perma-  
7 nent magnet,

8 “(III) an advanced high-perform-  
9 ance permanent magnet, or

10 “(IV) a specified permanent  
11 magnet.

12 “(B) RARE EARTH-FREE PERMANENT  
13 MAGNET.—The term ‘rare earth-free permanent  
14 magnet’ means any permanent magnet—

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

17 “(ii) which has an intrinsic coercivity  
18 (HC<sub>j</sub>) of at least 2 kilooersteds at 302 de-  
19 grees Fahrenheit (150 degrees Celsius),  
20 and

21 “(iii) which has a magnetic remanence  
22 (Br) of at least 8 kilogauss (0.8 Tesla) at  
23 68 degrees Fahrenheit (20 degrees Cel-  
24 sius).

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

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

20 “(D) ADVANCED HIGH-PERFORMANCE  
21 PERMANENT MAGNET.—The term ‘advanced  
22 high-performance permanent magnet’ means  
23 any permanent magnet—

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

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

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

14                  “(E) SPECIFIED PERMANENT MAGNET.—

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

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

21                  “(II) which is manufactured in  
22                  the United States—

23                  “(aa) pursuant to a grant  
24                  from, or contract with, the De-

1 department of Defense or the De-  
2 partment of Energy—

3 “(AA) valued at  
4 \$5,000,000 or greater, and

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

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

22 A permanent magnet meeting the re-  
23 quirements of subclauses (I) and (II)  
24 shall be treated as a specified perma-  
25 nent magnet unless the Secretary, in

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

20 “(ii) TERMINATION.—No permanent  
21 magnet may be treated as a specified per-  
22 manent magnet in any taxable year begin-  
23 ning after December 31, 2031 unless such  
24 period is extended by the Secretary.

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

- 3                   “(i) neodymium-iron-boron alloys,  
4                   “(ii) samarium-cobalt alloys,  
5                   “(iii) alnico alloys,  
6                   “(iv) ferrite alloys,  
7                   “(v) iron-nitride magnets,  
8                   “(vi) manganese-based permanent  
9                   magnet alloys, and  
10                  “(vii) any other alloy, successor, or  
11                  compound determined by the Secretary  
12                  to—

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

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

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

1           whether or not subsequently machined, coated,  
2           or magnetized.

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

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

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

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

20          “(3) MAGNET METAL.—The term ‘magnet  
21          metal’ means neodymium, praseodymium, neodym-  
22          ium-praseodymium alloy, dysprosium, terbium, dys-  
23          prosium-terbium alloy, samarium, gadolinium, co-  
24          balt, iron nitride, and any successor permanent mag-  
25          net precursor materials.

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

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

21                   “(A) the manufacturing of qualified per-  
22 manent magnets for purposes of the permanent  
23 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.

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