

119TH CONGRESS
2D SESSION

H. R. 7230

To amend the Internal Revenue Code of 1986 to establish a domestic cotton consumption credit.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 22, 2026

Mr. MURPHY (for himself, Ms. SEWELL, Mr. ROUZER, Mr. ESPAILLAT, Mr. KUSTOFF, Mr. DAVID SCOTT of Georgia, Mr. CAREY, Mr. DAVIS of North Carolina, Mr. THOMPSON of Pennsylvania, Mr. VICENTE GONZALEZ of Texas, Mr. MOORE of Alabama, Ms. ADAMS, Mr. MANN, Ms. BROWN, Mr. ALLEN, Mr. FIGURES, Mr. PFLUGER, Mr. COSTA, Mr. CRAWFORD, Mr. BISHOP, Mr. AUSTIN SCOTT of Georgia, Mr. GRAY, Mr. JACKSON of Texas, and Mr. CARBAJAL) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to establish a domestic cotton consumption credit.

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 “Buying American Cot-
5 ton Act of 2026”.

6 **SEC. 2. DOMESTIC COTTON CONSUMPTION CREDIT.**

7 (a) PURPOSE.—The purposes of this section are—

1 (1) to encourage the consumption of cotton
 2 which originated in the United States, and products
 3 which are made from such cotton, and

4 (2) to document the processing of such cotton
 5 through a trustworthy supply chain tracing system.

6 (b) ALLOWANCE OF CREDIT.—Subpart D of part IV
 7 of subchapter A of chapter 1 of the Internal Revenue Code
 8 of 1986 is amended by adding at the end the following
 9 new section:

10 **“SEC. 45BB. DOMESTIC COTTON CONSUMPTION CREDIT.**

11 “(a) CREDIT ALLOWED.—For purposes of section 38,
 12 the domestic cotton consumption credit determined under
 13 this section for any taxable year is an amount equal to
 14 the product of—

15 “(1) the documented volume of qualified cotton
 16 in an eligible article sold by the taxpayer in a quali-
 17 fying sale during the taxable year,

18 “(2) the applicable percentage, and

19 “(3) the applicable cotton market price.

20 “(b) QUALIFYING SALE; APPLICABLE PERCENTAGE;
 21 APPLICABLE COTTON MARKET PRICE.—

22 “(1) QUALIFYING SALE.—For purposes of this
 23 section—

24 “(A) IN GENERAL.—The term ‘qualifying
 25 sale’ means, with respect to any eligible article,

1 the first sale of such eligible article to an unre-
2 lated person.

3 “(B) EXCEPTION.—Such term shall not in-
4 clude any sale for use or consumption of an eli-
5 gible article outside of the United States unless
6 such sale results in income which is effectively
7 connected with a trade or business in the
8 United States.

9 “(C) RELATED PERSONS.—Persons shall
10 be treated as related to each other if such per-
11 sons would be treated as a single employer
12 under the regulations prescribed under section
13 52(b).

14 “(2) APPLICABLE PERCENTAGE.—For purposes
15 of subsection (a)(2), the applicable percentage is—

16 “(A) in the case of an eligible article con-
17 sisting of qualified cotton that—

18 “(i) was only subject to processing in
19 the United States, or

20 “(ii) in addition to any processing
21 that may have occurred within the United
22 States, was subject to additional processing
23 only in a country or countries with which
24 the United States has entered into a free
25 trade agreement or for which the United

1 States has extended benefits through a
2 unilateral preference program, 24 percent,
3 and

4 “(B) in the case of an eligible article con-
5 sisting of qualified cotton that was subject to
6 additional processing at any stage of its proc-
7 essing in a country with which the United
8 States has not entered into a free trade agree-
9 ment or for which the United States has not ex-
10 tended benefits through a unilateral preference
11 program, 18 percent.

12 “(3) APPLICABLE COTTON MARKET PRICE.—
13 For purposes of this section, the term ‘applicable
14 cotton market price’ means, with respect to any eli-
15 gible article, the average market price for qualified
16 cotton in a recognized international market (as de-
17 termined by the Secretary, in consultation with the
18 Secretary of Agriculture) for the 3-calendar year pe-
19 riod ending with or within the taxable year imme-
20 diately preceding the taxable year in which the eligi-
21 ble article is sold.

22 “(c) OTHER DEFINITIONS.—For purposes of this
23 section—

24 “(1) ELIGIBLE ARTICLE.—

1 “(A) IN GENERAL.—The term ‘eligible ar-
2 ticle’ means any product which—

3 “(i) is comprised in whole or in part
4 of qualified cotton which is certified, under
5 such regulations established by the Sec-
6 retary in consultation with the Secretary of
7 Agriculture, as meeting the requirements
8 of paragraph (2)(B)(ii),

9 “(ii) is in its final condition, and

10 “(iii) is ready for retail sale to a con-
11 sumer.

12 “(B) EXCEPTION.—Such term shall not in-
13 clude any product if—

14 “(i) any component of such product is
15 an eligible article for which a credit has
16 been allowed, or

17 “(ii) the taxpayer selling such product
18 has been notified by the person from whom
19 such a component was acquired that such
20 person intended to claim such credit.

21 “(C) FINAL CONDITION.—

22 “(i) IN GENERAL.—For purposes of
23 subparagraph (A)(ii), the term ‘final condi-
24 tion’ means, with respect to any article,
25 the physical state in which such article is

presented for sale or sold for immediate resale to a consumer, determined—

“(I) without regard to any de minimis augmentation that could be performed on it by or on behalf of a retailer of the eligible article, and

“(II) without regard to packaging.

“(ii) DE MINIMIS AUGMENTATION.—For purposes of clause (i)(I), the term ‘de minimis augmentation’ means any graphics or other adornment imposed on or attached to the article.

“(2) QUALIFIED COTTON.—

“(A) IN GENERAL.—The term ‘qualified cotton’ means extra long staple cotton (as defined in section 1111 of the Agricultural Act of 2014) or upland cotton (within the meaning of section 1207(c) of such Act) which—

“(i) is grown in the United States, and

“(ii) meets the proof of origin requirements of subparagraph (B).

1 “(B) PROOF OF ORIGIN REQUIREMENTS.—

2 Cotton meets the proof of origin requirements
3 of this subparagraph if—

4 “(i) such cotton was—

5 “(I) assigned a permanent bale
6 identification number, or

7 “(II) meets such other require-
8 ments as the Secretary, in consulta-
9 tion with the Secretary of Agriculture,
10 determines is sufficient to prove that
11 the cotton originated in the United
12 States, and

13 “(ii) the movement and volume of
14 such cotton is digitally traced, under such
15 regulations established by the Secretary in
16 consultation with the Secretary of Agri-
17 culture, through the supply chain from its
18 United States origin through to the last
19 stage of processing into an eligible article.

20 “(C) PERMANENT BALE IDENTIFICATION
21 NUMBER.—The term ‘permanent bale identi-
22 fication number’ means the autogenerated iden-
23 tification number assigned by the Secretary of
24 Agriculture to a bale of qualified cotton that
25 was grown and ginned in the United States.

1 “(3) FREE TRADE AGREEMENT.—

2 “(A) IN GENERAL.—Except as provided by
3 subparagraph (B), the term ‘free trade agree-
4 ment’ means a comprehensive bilateral or re-
5 gional agreement—

6 “(i) that covers substantially all trade
7 between the parties to the agreement, and

8 “(ii) with respect to which an imple-
9 menting bill (as defined in section 151 of
10 the Trade Act of 1974 (19 U.S.C. 2191))
11 is enacted into law.

12 “(B) EXCLUSIONS.—The term ‘free trade
13 agreement’ does not include—

14 “(i) the WTO Agreement, as defined
15 in section 2 of the Uruguay Round Agree-
16 ments Act (19 U.S.C. 3501),

17 “(ii) the agreements specified in
18 101(d) of that Act (19 U.S.C. 3511(d)), or

19 “(iii) any other multilateral agreement
20 of the World Trade Organization or any
21 successor entity.

22 “(4) UNILATERAL PREFERENCE PROGRAM.—

23 “(A) IN GENERAL.—Except as provided by
24 subparagraph (B), the term ‘unilateral pref-
25 erence program’—

1 “(i) means a program of the United
2 States that provides preferential duty
3 treatment to textile or apparel articles im-
4 ported from a foreign country that is des-
5 ignated as a beneficiary of the program,
6 and

7 “(ii) includes—

8 “(I) the African Growth and Op-
9 portunity Act (19 U.S.C. 3701 et
10 seq.) and section 506A of the Trade
11 Act of 1974 (19 U.S.C. 2466a),

12 “(II) the Caribbean Basin Eco-
13 nomic Recovery Act (19 U.S.C. 2701
14 et seq.),

15 “(III) section 915 of the Trade
16 Facilitation and Trade Enforcement
17 Act of 2015 (19 U.S.C. 4454), and

18 “(IV) any other provision of
19 law—

20 “(aa) establishing a program
21 that provides preferential duty
22 treatment to textile or apparel
23 articles imported from a foreign
24 country that is designated as a
25 beneficiary of the program, and

1 “(bb) that is enacted after
2 the date of the enactment of this
3 section.

4 “(B) EXCLUSION.—The term ‘unilateral
5 preference program’ does not include the Gen-
6 eralized System of Preferences under title V of
7 the Trade Act of 1974 (19 U.S.C. 2461 et
8 seq.).

9 “(5) PROCESSING.—

10 “(A) IN GENERAL.—The term ‘processing’
11 means any physical process, or any stage in
12 such process, that contributes to the conversion
13 of an item comprised in whole or in part of
14 qualified cotton into an eligible article.

15 “(B) EXCEPTION.—Such term shall not in-
16 clude the mere physical possession, storage,
17 movement, or packaging of cotton or any eligi-
18 ble article.

19 “(6) UNITED STATES.—The term ‘United
20 States’ includes any possessions of the United
21 States.

22 “(7) VOLUME.—The term ‘volume’ means, with
23 respect to any eligible article, the amount of quali-
24 fied cotton in such article, as measured in pounds.

1 “(d) INCREASED CREDIT FOR QUALIFIED COTTON
2 YARN AND QUALIFIED COTTON FABRIC.—

3 “(1) QUALIFIED COTTON YARN.—

4 “(A) IN GENERAL.—At the election of the
5 taxpayer, in the case of any eligible article
6 which is composed in whole or in part of quali-
7 fied cotton yarn—

8 “(i) this section shall be applied sepa-
9 rately with respect to such cotton yarn,
10 and

11 “(ii) the amount determined under
12 subsection (a) with respect to such cotton
13 yarn shall be equal to such amount (deter-
14 mined without regard to this subsection)
15 multiplied by 1.6.

16 “(B) QUALIFIED COTTON YARN.—For pur-
17 poses of this subsection, the term ‘qualified cot-
18 ton yarn’ means a strand of fiber made in the
19 United States from qualified cotton into a form
20 suitable for weaving, knitting, braiding, felting,
21 webbing, or otherwise fabricating into a fabric.

22 “(2) QUALIFIED COTTON FABRIC.—

23 “(A) IN GENERAL.—At the election of the
24 taxpayer, in the case of any eligible article

1 which is composed in whole or in part of quali-
2 fied cotton fabric—

3 “(i) this section shall be applied sepa-
4 rately with respect to such cotton fabric,
5 and

6 “(ii) the amount determined under
7 subsection (a) with respect to such cotton
8 fabric shall be equal to such amount (de-
9 termined without regard to this subsection)
10 multiplied by 6.5.

11 “(B) QUALIFIED COTTON FABRIC.—For
12 purposes of this subsection, the term ‘qualified
13 cotton fabric’ means any material woven, knit-
14 ted, felted, or otherwise produced in the United
15 States from, or in combination with, any fiber,
16 yarn, or substitute thereof that was made in the
17 United States from qualified cotton.

18 “(3) ELECTION.—An election under this sub-
19 section shall be made at such time and in such form
20 as the Secretary may by regulations provide.

21 “(e) REGULATIONS.—The Secretary shall prescribe
22 such regulations and other guidance as may be necessary
23 or appropriate to carry out this section, including regula-
24 tions or guidance—

1 “(1) to establish a system for preventing the
2 credit allowed under this subsection more than once
3 with respect to any amount of qualified cotton,
4 which may include establishing a requirement to no-
5 tify purchasers of eligible articles of the intent to
6 claim the credit allowed under this section,

7 “(2) with respect to the digital tracing of cotton
8 under subsection (c)(2)(B)(ii), which may include re-
9 quirements to identify the taxpayers within the sup-
10 ply chain, and

11 “(3) with respect to the certification of qualified
12 cotton under subsection (c)(1)(A)(i), which may re-
13 quire reporting of the specific volume of qualified
14 cotton in the eligible article.”.

15 (c) CREDIT ALLOWED AS PART OF GENERAL BUSI-
16 NESS CREDIT.—Section 38(b) of such Code is amended
17 by striking “plus” at the end of paragraph (40), by strik-
18 ing the period at the end of paragraph (41), and by adding
19 at the end the following new paragraph:

20 “(42) the domestic cotton consumption credit
21 determined under section 45BB.”.

22 (d) TRANSFER OF CREDIT.—Section 6418(f)(1)(A)
23 of such Code is amended by adding at the end the fol-
24 lowing:

1 “(xii) The domestic cotton consump-
2 tion credit determined under section
3 45BB(a).”.

4 (e) CLERICAL AMENDMENT.—The table of sections
5 for subpart D of part IV of subchapter A of chapter 1
6 of such Code is amended by adding at the end the fol-
7 lowing item:

“Sec. 45BB. Domestic cotton consumption credit.”.

8 (f) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to eligible articles (as defined in
10 section 45BB of such Code, as added by subsection (b))
11 that are sold after the date of the enactment of this Act.

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