

119TH CONGRESS
2D SESSION

H. R. 7559

To amend the Internal Revenue Code of 1986 to deny deduction for
outsourcing payments.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 12, 2026

Mr. AUSTIN SCOTT of Georgia 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 deny
deduction for outsourcing payments.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SEC. 1. DENIAL OF INCOME TAX DEDUCTION ON OUT-**
4 **SOURCING PAYMENTS.**

5 (a) IN GENERAL.—Part IX of subchapter B of chap-
6 ter 1 of the Internal Revenue Code of 1986 is amended
7 by adding at the end the following new section:

8 **“SEC. 280I. OUTSOURCING PAYMENTS.**

9 “(a) IN GENERAL.—No deduction shall be allowed
10 under this chapter for any outsourcing payment.

1 “(b) OUTSOURCING PAYMENT.—For purposes of this
2 section—

3 “(1) IN GENERAL.—The term ‘outsourcing pay-
4 ment’ means any premium, fee, royalty, service
5 charge, or other payment made—

6 “(A) in the course of a trade or business,

7 “(B) to a foreign person, and

8 “(C) with respect to labor or services the
9 benefit of which is directed, directly or indi-
10 rectly, to consumers located in the United
11 States.

12 “(2) MIXED PAYMENTS.—In the case of any
13 payment to a foreign person with respect to which
14 labor or services are directed to consumers both
15 within and without the United States, the amount
16 treated as an outsourcing payment shall not exceed
17 the amount equal to the product of such payment
18 and a fraction—

19 “(A) the numerator of which is the amount
20 of labor or services with respect to such pay-
21 ment directed to consumers within the United
22 States, to

23 “(B) the labor or services with respect to
24 such payment directed to all consumers.

1 “(c) FOREIGN PERSON.—For purposes of this sec-
2 tion, the term ‘foreign person’ means any person who is
3 not a United States person, except that such term shall
4 not include any corporation or partnership which is orga-
5 nized under the laws of a possession of the United States.

6 “(d) REGULATIONS AND OTHER GUIDANCE.—The
7 Secretary shall prescribe such regulations and other guid-
8 ance as may be necessary or appropriate to carry out this
9 section, including regulations or guidance to prevent the
10 avoidance or abuse of the purposes of this section, includ-
11 ing through the use of transfer pricing arrangements.”.

12 (b) CLERICAL AMENDMENT.—The table of section
13 for part IX of subchapter B of chapter 1 of the Internal
14 Revenue Code of 1986 is amended by adding at the end
15 the following new item:

“Sec. 280I. Outsourcing payments.”.

16 (c) EFFECTIVE DATE.—The amendments made by
17 this section shall apply to payments made after December
18 31, 2025, in taxable years ending after such date.

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