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119TH CONGRESS
2D 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.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

**SECTION 1. SHORT TITLE.**

This Act may be cited as the ‘‘Magnets Value Chain Support Act of 2026’’.

**SEC. 2. CONGRESSIONAL FINDINGS.**

Congress finds the following:

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

magnets used in electric motors, generators, robotics, industrial machinery, advanced electronics, and national defense systems.

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

(3) Domestic metallization and magnet-manufacturing capabilities have atrophied and require targeted, market-oriented incentives to restore competitive production and reduce foreign dependence.

(4) Motors, generators, robotics, and high-performance electronics constitute the majority of global permanent magnet demand and are essential to the economic and national security of the United States.

(5) Reshoring the magnet supply chain requires both upstream incentives for magnet metal and permanent magnet production, and downstream incentives for the adoption of such materials by industrial, energy, automotive, aerospace, and electronics manufacturers.

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

**SEC. 3. ESTABLISHMENT OF MAGNET VALUE CHAIN SUPPORT CREDIT.**

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

**"SEC. 45BB. MAGNET VALUE CHAIN SUPPORT CREDIT.**

"(a) ALLOWANCE OF CREDIT.—For purposes of section 38, the magnet value chain support credit for any taxable year is an amount equal to the sum of—

"(1) the permanent magnet production credit,

"(2) the magnet metal production credit, plus

"(3) the rare earth oxide production credit.

"(b) PERMANENT MAGNET PRODUCTION CREDIT; MAGNET METAL PRODUCTION CREDIT; RARE EARTH OXIDE PRODUCTION CREDIT.—For purposes of this section—

"(1) PERMANENT MAGNET PRODUCTION CREDIT.—

"(A) IN GENERAL.—The permanent magnet production credit with respect to any eligible taxpayer for any taxable year is the applicable amount with respect to each kilogram of qualified permanent magnet—

"(i) manufactured by such taxpayer during such taxable year in the United States, and

"(ii) sold by such taxpayer to an unrelated person during such taxable year.

"(B) APPLICABLE AMOUNT.—For purposes of subparagraph (A), the term 'applicable amount' means, with respect to each kilogram of qualified permanent magnet—

"(i) $20 per kilogram, if—

"(I) such permanent magnet is a rare earth-free permanent magnet, and

"(II) none of the magnet metal inputs incorporated within such permanent magnet were produced by a prohibited foreign entity,

"(ii) $20 per kilogram, if—

"(I) such permanent magnet is a high-performance permanent magnet,

"(II) at least 75 percent of the magnet metal inputs (by weight) incorporated within such permanent magnet were produced in the United States or in a partner country, and

"(III) none of the magnet metal inputs incorporated within such permanent magnet were produced by a prohibited foreign entity,

"(iii) $30 per kilogram, if—

"(I) such permanent magnet is a high-performance permanent magnet,

"(II) at least 90 percent of the magnet metal inputs (by weight) incorporated within such permanent magnet were produced in the United States or in a partner country, and

"(III) none of the magnet metal inputs incorporated within such permanent magnet were produced by a prohibited foreign entity,

"(iv) $33 per kilogram, if—

"(I) such permanent magnet is an advanced high-performance permanent magnet,

"(II) at least 75 percent of the magnet metal inputs (by weight) incorporated within such permanent magnet were produced in the United States or in a partner country, and

"(III) none of the magnet metal inputs incorporated within such permanent magnet were produced by a prohibited foreign entity, and

"(v) $40 per kilogram, if—

"(I) such permanent magnet is an advanced high-performance permanent magnet,

"(II) at least 90 percent of the magnet metal inputs (by weight) incorporated within such permanent magnet were produced in the United States or in a partner country, and

"(III) none of the magnet metal inputs incorporated within such permanent magnet were produced by a prohibited foreign entity.

"(C) ELIGIBLE TAXPAYER.—For purposes of subparagraph (A), the term 'eligible taxpayer' means any taxpayer who certifies to the Secretary (at such time and in such manner as the Secretary may prescribe) that at least 3 percent of such taxpayer's annual domestic production capacity of qualified permanent magnets has been maintained in an available and unencumbered state, capable of accepting and fulfilling orders placed pursuant to—

"(i) a priority rating under the Defense Priorities and Allocations System, as established by the Defense Production Act of 1950, or

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

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

"(2) MAGNET METAL PRODUCTION CREDIT.—

"(A) IN GENERAL.—The magnet metal production credit with respect to any taxpayer for any taxable year is the applicable amount with respect to each kilogram of magnet metal—

"(i) produced by such taxpayer during such taxable year in the United States, and

"(ii) either—

"(I) sold by such taxpayer to an unrelated person during such taxable year for use in an eligible production step, or

"(II) used by such taxpayer for an eligible production step during such taxable year.

"(B) APPLICABLE AMOUNT.—For purposes of subparagraph (A), the term 'applicable amount' means, with respect to each kilogram of magnet metal—

"(i) $15 per kilogram, if—

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

"(II) none of the magnet metal inputs were produced by a prohibited foreign entity, and "(ii) $25 per kilogram, if—

"(I) at least 90 percent of any rare earth oxides or metallic precursors (by weight) used in the production of such magnet metal were produced or refined in the United States, and

"(II) none of the magnet metal inputs were produced by a prohibited foreign entity.

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

"(3) RARE EARTH OXIDE PRODUCTION CREDIT.—

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

"(i) produced by such taxpayer during such taxable year in the United States, and

"(ii) either—

"(I) sold by such taxpayer to an unrelated person during such taxable year for use in an eligible production step, or

"(II) used by such taxpayer for an eligible production step during such taxable year.

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

"(c) DEFINITIONS.—For purposes of this section—

"(1) QUALIFIED PERMANENT MAGNET.—

"(A) IN GENERAL.—The term 'qualified permanent magnet' means any permanent magnet—

"(i) which is comprised entirely of eligible materials, and

"(ii) which is—

"(I) a rare earth-free permanent magnet,

"(II) a high-performance permanent magnet,

"(III) an advanced high-performance permanent magnet, or

"(IV) a specified permanent magnet.

"(B) RARE EARTH-FREE PERMANENT MAGNET.—The term 'rare earth-free permanent magnet' means any permanent magnet—

"(i) within which no rare earth elemental constituents are incorporated,

"(ii) which has an intrinsic coercivity (HCj) of at least 2 kilooersteds at 302 degrees Fahrenheit (150 degrees Celsius), and

"(iii) which has a magnetic remanence (Br) of at least 8 kilogauss (0.8 Tesla) at 68 degrees Fahrenheit (20 degrees Celsius).

For purposes of the preceding sentence, the intrinsic coercivity and remanence requirements shall be determined on the permanent magnet final product and may not be satisfied through measurements conducted on powders, flakes, compacts, billets, or other intermediate precursor forms.

"(C) HIGH-PERFORMANCE PERMANENT MAGNET.—The term 'high-performance permanent magnet' means any permanent magnet with an intrinsic coercivity (HCj) of at least 10 kilooersteds at 68 degrees Fahrenheit (20 degrees Celsius). For purposes of the preceding sentence, the intrinsic coercivity requirement shall be determined on the permanent magnet final product and may not be satisfied through measurements conducted on powders, flakes, compacts, billets, or other intermediate precursor forms.

"(D) ADVANCED HIGH-PERFORMANCE PERMANENT MAGNET.—The term 'advanced high-performance permanent magnet' means any permanent magnet—

"(i) with an intrinsic coercivity (HCj) of at least 20 kilooersteds at 68 degrees Fahrenheit (20 degrees Celsius), and

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

For purposes of the preceding sentence, the intrinsic coercivity and magnetic remanence requirements shall be determined on the permanent magnet final product and may not be satisfied through measurements conducted on powders, flakes, compacts, billets, or other intermediate precursor forms.

"(E) SPECIFIED PERMANENT MAGNET.—

"(i) IN GENERAL.—The term 'specified permanent magnet' means any permanent magnet—

"(I) within which no rare earth elemental constituents are incorporated, and

"(II) which is manufactured in the United States—

"(aa) pursuant to a grant from, or contract with, the Department of Defense or the Department of Energy—

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

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

“(bb) by a taxpayer who commits (in such manner as the Secretary may prescribe) to place in service within the United States a qualified permanent magnet manufacturing facility which meets such standards as the Secretary, in consultation with the Secretary of Defense and the Secretary of Energy, determines to demonstrate technological, supply chain, or national security merit.

A permanent magnet meeting the requirements of subclauses (I) and (II) shall be treated as a specified permanent magnet unless the Secretary, in consultation with the Secretary of Defense and the Secretary of Energy, determines within 120 days of receiving notification from the taxpayer (in such form and manner as the Secretary shall prescribe) that such magnet does not demonstrate technological, supply chain, or national security merit. If the Secretary does not make such a determination within 120 days, the magnet shall be conclusively treated as a specified permanent magnet for the taxable year and all subsequent taxable years until the Secretary makes a determination to the contrary upon review. The Secretary shall review each determination under this clause not less frequently than every 3 years.

"(ii) TERMINATION.—No permanent magnet may be treated as a specified permanent magnet in any taxable year beginning after December 31, 2031 unless such period is extended by the Secretary.

"(F) ELIGIBLE MATERIALS.—The term 'eligible materials' means—

"(i) neodymium-iron-boron alloys,

"(ii) samarium-cobalt alloys,

"(iii) alnico alloys,

"(iv) ferrite alloys,

"(v) iron-nitride magnets,

"(vi) manganese-based permanent magnet alloys, and

"(vii) any other alloy, successor, or compound determined by the Secretary to—

"(I) be appropriate for the manufacture of a permanent magnet described in subparagraph (B), (C), (D), or (E), and

"(II) be essential for motors, generators, robotics, energy systems, or advanced electronic systems.

"(G) MANUFACTURED.—The term 'manufactured' means the processes necessary to form a sintered permanent magnet body, including alloy production, milling, pressing, and sintering. Such term includes sintered magnet blocks, whether or not subsequently machined, coated, or magnetized.

"(2) QUALIFIED RARE EARTH OXIDE.—The term 'qualified rare earth oxide' means any separated rare earth oxide, including neodymium oxide, praseodymium oxide, neodymium-praseodymium oxide, samarium oxide, dysprosium oxide, terbium oxide, dysprosium-terbium oxide, and such other separated rare earth oxides as the Secretary determines are essential to the production of qualified permanent magnets, which—

"(A) is produced in the United States,

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

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

"(3) MAGNET METAL.—The term 'magnet metal' means neodymium, praseodymium, neodymium-praseodymium alloy, dysprosium, terbium, dysprosium-terbium alloy, samarium, gadolinium, cobalt, iron nitride, and any successor permanent magnet precursor materials.

"(4) MAGNET METAL INPUT.—The term 'magnet metal input' means, for purposes of calculating content threshold under this section, the rare earth elemental metallic constituents intentionally incorporated into a permanent magnet alloy to impart or enhance permanent magnetic properties, including neodymium, praseodymium, neodymium-praseodymium alloys, dysprosium, terbium, dysprosium-terbium alloy, samarium, gadolinium, and any other rare earth element listed as a magnet metal under paragraph (3), measured on a contained-metal basis. Permanent magnets that do not incorporate rare earth elemental constituents and that are described in subparagraph (B), (C), (D), or (E) of paragraph (1) shall be deemed to satisfy the magnet metal input requirements of clauses (i) through (v) of subsection (b)(1)(B) without further threshold calculation.

"(5) ELIGIBLE PRODUCTION STEP.—The term 'eligible production step' means—

"(A) the manufacturing of qualified permanent magnets for purposes of the permanent magnet production credit, ''(B) the production of magnet metals for purposes of the magnet metal production credit, and

''(C) the production of qualified rare earth oxides for purposes of the rare earth oxide production credit.

''(6) PARTNER COUNTRY.—

''(A) IN GENERAL.—The term 'partner country' means—

''(i) any member state of the North Atlantic Treaty Organization,

''(ii) Japan,

''(iii) Australia,

''(iv) South Korea,

''(v) Canada, and

''(vi) Mexico.

''(B) FACILITY DESIGNATION.—The Secretary, in consultation with the Secretary of Defense, the Secretary of Commerce, and the United States Trade Representative, may designate a specific facility located in a non-partner country as a qualifying facility for purposes of this section if the Secretary determines that—

"(i) the facility is not owned, controlled, or influenced by a prohibited foreign entity,

"(ii) the facility operates under supply chain transparency, traceability, and export control practices consistent with those required of facilities located in partner countries, and

"(iii) such designation shall serve the national security and supply chain resilience objectives of this section.

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

"(7) PROHIBITED FOREIGN ENTITY.—The term 'prohibited foreign entity' has the meaning given such term in section 7701(a)(51)(A).

"(d) SPECIAL RULES.—For purposes of this section—

"(1) ELECTION REQUIRED.—This section shall not apply unless the taxpayer has elected (at such time and in such manner as the Secretary may prescribe) the application of this section. Such election shall apply to the taxable year for which it is made and all subsequent taxable years and may not be revoked.

"(2) DENIAL OF DOUBLE BENEFIT.—No credit shall be allowed under this section with respect to any material for which a credit is granted under section 45X.

"(3) PROHIBITED FOREIGN ENTITY RESTRICTION.—

"(A) IN GENERAL.—No credit shall be allowed under this section for any material—

"(i) metallized, alloyed, or refined by a prohibited foreign entity,

"(ii) manufactured as a permanent magnet by a prohibited foreign entity,

"(iii) which incorporates magnet metals sourced from a prohibited foreign entity, or

"(iv) sold or transferred by the taxpayer to a prohibited foreign entity.

"(B) WAIVERS; REPORTS.—The Secretary may provide waivers for periods of no longer than 90 days at a time if no commercially reasonable non-prohibited foreign entity alternative is available. Not later than 30 days after granting any waiver under this subparagraph, the Secretary shall submit to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate a report describing—

"(i) the identity of the recipient,

"(ii) the specific prohibited foreign entity material or input for which the waiver was granted,

"(iii) the duration of the waiver, and

"(iv) the basis for the Secretary's determination that no commercially reasonable non-prohibited foreign entity alternative was available.

"(4) TIERED APPLICATION OF CREDITS.—

"(A) IN GENERAL.—A separate credit shall be allowed under this section for each eligible production step performed by the taxpayer in the United States, provided that no more than one credit shall be allowed per eligible production step with respect to the same quantity of material.

"(B) NO DOUBLE COUNTING.—A credit shall not be allowed under this section for any quantity of material for which a credit has already been claimed under the same eligible production step by any taxpayer.

"(C) COORDINATION RULE.—The Secretary shall prescribe regulations to prevent duplication of credits under this section and any successor provision with respect to the same quantity of material.

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

"(A) any rare earth oxide, including a qualified rare earth oxide, unless such oxide is produced pursuant to a binding offtake agreement for use in the production of an eligible rare earth metal, alloy, or permanent magnet for which a credit is allowable under this section,

"(B) any rare earth oxide, metal, alloy, or permanent magnet that is produced for stockpiling, resale, or export, except that a rare earth oxide, metal, alloy, or permanent magnet—

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

"(ii) which is sold to the United States Government, pursuant to a program or authority established for national security, defense readiness, or strategic materials reserve purposes shall not be treated as stockpiling for purposes of this subparagraph, or

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

"(6) DISCLOSURE AND REPORTING REQUIREMENTS.—

"(A) IN GENERAL.—No credit shall be allowed under this section unless the taxpayer submits, at such time and in such manner as the Secretary may prescribe, information regarding—

"(i) the origin and processing locations of any rare earth oxides, metals, alloys, and permanent magnets used in any eligible production step,

"(ii) the identification of all material suppliers and downstream purchasers associated with any eligible production step,

"(iii) the volume of eligible materials produced, sold, or transferred,

"(iv) the existence and duration of any binding offtake agreements relevant to such materials,

"(v) transaction prices, price formulas, or indexed pricing terms for the sale or transfer of rare earth oxides, metals, alloys, permanent magnets, and covered downstream products associated with any eligible production step, including identification of any benchmark or reference index used, and

"(vi) such other information as the Secretary determines appropriate.

"(B) USE OF INFORMATION; CONFIDENTIALITY.—Any information submitted to the Secretary under subparagraph (A) may be used for supply chain risk assessment, market monitoring, and other purposes determined appropriate by the Secretary for the administration of this section. The Secretary shall protect from public disclosure any information submitted under subparagraph (A) that constitutes confidential business information, trade secrets, or proprietary commercial data, consistent with applicable law.

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

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

(b) CREDIT ALLOWED AS PART OF GENERAL BUSINESS CREDIT.—Section 38(b) of such Code is amended by striking "plus" at the end of paragraph (40), by striking the period at the end of paragraph (41) and inserting ", plus", and by adding at the end the following new paragraph:

"(42) the magnet value chain support credit determined under section 45BB(a).".

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

"(xiii) The magnet value chain support credit determined under section 45BB(a).".

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

"Sec. 45BB. Magnet value chain support credit.".

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

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

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

**"SEC. 45CC. DOMESTIC MAGNET INPUT USAGE CREDIT.**

"(a) ALLOWANCE OF CREDIT.—For purposes of section 38, the domestic magnet input usage credit for any taxable year is an amount equal to the applicable percentage of qualified domestic magnet expenditures paid or incurred by the taxpayer during such taxable year in connection with the manufacture of a covered product in the United States.

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

"(1) 15 percent, in the case of such expenditures being paid or incurred in taxable years beginning before January 1, 2035,

"(2) 10 percent, in the case of such expenditures being paid or incurred in taxable years beginning after December 31, 2034, and ending before January 1, 2037, and

"(3) 5 percent, in the case of such expenditures being paid or incurred in taxable years beginning after December 31, 2036, and ending before January 1, 2039.

"(c) QUALIFIED DOMESTIC MAGNET EXPENDITURES.—

"(1) IN GENERAL.—For purposes of this section, the term 'qualified domestic magnet expenditures' means any amounts paid or incurred by the taxpayer to an unrelated person for qualified permanent magnets (as defined in section 45BB(c)(1)(A)) which—

"(A) are manufactured (as defined in section 45BB(c)(1)(G)) in the United States,

"(B) are not sourced from a prohibited foreign entity, and

"(C) are substantiated (by documentation maintained by the taxpayer to the extent sufficient to support the credit claimed under this section) with respect to purchase price, supplier identity, quantity, and country of production.

"(2) ANTI-MANIPULATION RULE.—For purposes of paragraph (1), the purchase price used to calculate qualified domestic magnet expenditures shall not exceed the arm's-length price for qualified permanent magnets, as determined under principles consistent with section 482. The Secretary shall prescribe regulations establishing safe harbors for arm's-length pricing of domestic permanent magnets, including by reference to published benchmark prices where available.

"(d) ELECTION AND NON-DUPLICATION.—A taxpayer shall not claim a credit under this section for any qualified domestic magnet expenditure for which a deduction has otherwise been taken under this chapter. The Secretary shall prescribe regulations to prevent any double recovery of the same cost under both credits with respect to the same quantity of magnet material.

"(e) COVERED PRODUCTS.—

"(1) IN GENERAL.—For purposes of this section, and except as provided in paragraph (2), the term 'covered products' means—

"(A) any core powertrain or generation component, including motors, generators, and rotating electrical machinery, used in any high-performance electronic device incorporating permanent magnets essential to cooling, actuation, data storage, robotics, or telecommunications, or

"(B) any core powertrain or generation component, including motors, generators, and rotating electrical machinery, used in power conversion, including server-grade computers, telecommunications equipment, robotics systems, manned and unmanned aerial vehicles, manned and unmanned surface vessels, manned and unmanned underwater vehicles and submersibles, medical devices, precision munitions, attritable munitions, guided munitions, infrared tracking systems, gimbals and optics, and other critical defense applications.

"(2) EXCLUDED PRODUCTS.—For purposes of paragraph (1), the term 'covered products' does not include—

"(A) low-power consumer appliances or disposable devices, including toasters, blenders, basic kitchen appliances, handheld vacuums, hair dryers, consumer-grade fans, toys, and novelty electronics, and

"(B) any other product that the Secretary determines, by regulation, to be non-strategic for purposes of this section, provided that such determination shall not apply to any product that the Secretary finds to be materially important to United States industrial capacity, technological leadership, supply-chain resilience, or national security.

"(f) OTHER DEFINITIONS.—Except as otherwise provided in this section, terms used in this section which are also used in section 45BB shall have the same meaning as when used in such section.

"(g) PROHIBITED FOREIGN ENTITY RESTRICTION.—No credit shall be allowed under this section if any permanent magnet, magnet metal input, or precursor material input used in the covered product was manufactured by a prohibited foreign entity.

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

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

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

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

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

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

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