

119TH CONGRESS
1ST SESSION

S. 2976

To amend the Internal Revenue Code of 1986 to impose an excise tax on payments by United States taxpayers to foreign persons for services provided to United States consumers, and for other purposes.

IN THE SENATE OF THE UNITED STATES

OCTOBER 6, 2025

Mr. MORENO introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to impose an excise tax on payments by United States taxpayers to foreign persons for services provided to United States consumers, 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 “Halting International
5 Relocation of Employment Act” or the “HIRE Act”.

1 **SEC. 2. OUTSOURCING EXCISE TAX.**

2 (a) IN GENERAL.—Subtitle D of the Internal Rev-
 3 enue Code of 1986 is amended by adding at the end the
 4 following new chapter:

5 **“CHAPTER 50B—OUTSOURCING**

“Sec. 5000E. Outsourcing payments.

6 **“SEC. 5000E. OUTSOURCING PAYMENTS.**

7 “(a) IMPOSITION OF TAX.—There is hereby imposed
 8 a tax on any United States person making an outsourcing
 9 payment a tax equal to 25 percent of the amount of such
 10 payment.

11 “(b) OUTSOURCING PAYMENT.—For purposes of this
 12 section—

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

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

17 “(B) to a foreign person, and

18 “(C) with respect to labor or services the
 19 benefit of which is directed, directly or indi-
 20 rectly, to consumers located in the United
 21 States.

22 “(2) MIXED PAYMENTS.—In the case of any
 23 payment to a foreign person with respect to which
 24 labor or services are directed to consumers both
 25 within and without the United States, the amount

1 treated as an outsourcing payment shall not exceed
 2 the amount equal to the product of such payment
 3 and a fraction—

4 “(A) the numerator of which is the amount
 5 of labor or services with respect to such pay-
 6 ment directed to consumers within the United
 7 States, to

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

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

15 “(d) REGULATIONS AND OTHER GUIDANCE.—The
 16 Secretary shall prescribe such regulations and other guid-
 17 ance as may be necessary or appropriate to carry out this
 18 section, including regulations or guidance to prevent the
 19 avoidance or abuse of the purposes of this section, includ-
 20 ing through the use of related parties, controlled foreign
 21 corporations, and other intermediaries, or through the use
 22 of transfer pricing arrangements.”.

23 (b) TAX NOT DEDUCTIBLE.—Section 275(a)(6) of
 24 the Internal Revenue Code of 1986 is amended by insert-
 25 ing “50B,” after “50A”.

1 (c) REPORTING.—The Secretary of the Treasury, or
 2 the Secretary's delegate, may—

3 (1) require United States persons making pay-
 4 ments to foreign persons (as defined in section
 5 5000E of the Internal Revenue Code of 1986, as
 6 added by subsection (a)) to file a return of tax
 7 under section 5000E of such Code or to file an in-
 8 formation return concerning such payments, which
 9 may include—

10 (A) information on whether such payments
 11 are outsourcing payments (as defined in section
 12 5000E of such Code), and

13 (B) such other information concerning
 14 such payment as the Secretary may reasonably
 15 require to enforce the amendments made by
 16 this section, and

17 (2) require the officers of any corporation to
 18 certify on such return, under penalty of perjury, the
 19 character of such payments.

20 For purposes part II of subchapter B of chapter 68 of
 21 the Internal Revenue Code of 1986, any return required
 22 to be filed under paragraph (1) shall be treated as an in-
 23 formation return.

24 (d) INCREASED PENALTY FOR FAILURE TO PAY
 25 TAX.—Section 6651(a) of the Internal Revenue Code is

1 amended by adding at the end the following new sentence:
 2 “In the case of the failure to pay any tax imposed under
 3 chapter 50B, paragraphs (2) and (3) shall be applied by
 4 substituting ‘50 percent’ for ‘05. percent’ each place it ap-
 5 pears and without regard to the phrase ‘not exceeding 25
 6 percent in the aggregate’ each place it appears.”.

7 (e) NO INFERENCE.—Nothing in this section or the
 8 amendments made by this section shall be construed to
 9 limit the application of the economic substance doctrine
 10 with respect to any payment described in section 5000E(b)
 11 of the Internal Revenue Code of 1986, as added by sub-
 12 section (a).

13 (f) CLERICAL AMENDMENT.—The table of chapters
 14 for subpart D of the Internal Revenue Code of 1986 is
 15 amended by adding at the end the following new item:

“CHAPTER 50B—OUTSOURCING”.

16 (g) EFFECTIVE DATE.—The amendments made by
 17 this section shall apply to payments made after December
 18 31, 2025.

19 **SEC. 3. DOMESTIC WORKFORCE FUND.**

20 (a) IN GENERAL.—Subchapter A of chapter 98 of the
 21 Internal Revenue Code of 1986 is amended by adding at
 22 the end the following new section:

23 **“SEC. 9512. DOMESTIC WORKFORCE FUND.**

24 “(a) ESTABLISHMENT.—There is established in the
 25 Treasury of the United States a trust fund to be known

1 as the ‘Domestic Workforce Fund’ (hereafter in this sec-
 2 tion referred to as the ‘Fund’), consisting of such amounts
 3 as may be appropriated, credited, or paid into the Fund
 4 as provided in this section or section 9602(b).

5 “(b) TRANSFER TO FUND.—There are hereby appro-
 6 priated to the Fund amounts equivalent to the amounts
 7 received in the Treasury under—

8 “(1) the tax imposed under section 5000E,

9 “(2) so much of the additions to tax under sec-
 10 tion 6051(a) as relates to the failure to pay taxes
 11 imposed under section 5000E, and

12 “(3) so much of the penalties imposed under
 13 part II of such chapter B of chapter 68 as relates to
 14 returns described in section 2(b) of the Halting
 15 International Relocation of Employment Act.

16 “(c) EXPENDITURES FROM FUND.—Amounts in the
 17 Fund shall be available, without further appropriation,
 18 solely for the following purposes:

19 “(1) Workforce development and retraining pro-
 20 grams administered by the Department of Labor.

21 “(2) Apprenticeship programs and partnerships
 22 with industry to expand domestic employment in sec-
 23 tors impacted by outsourcing.

1 “(3) Grants to States for workforce develop-
 2 ment initiatives targeted at communities with high
 3 levels of job displacement.”.

4 (b) CLERICAL AMENDMENT.—The table of sections
 5 for subchapter A of chapter 98 of such Code is amended
 6 by adding at the end the following new item:

“Sec. 9512. Domestic workforce fund.”.

7 **SEC. 4. DENIAL OF INCOME TAX DEDUCTION ON OUT-**
 8 **SOURCING PAYMENTS.**

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

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

13 “No deduction shall be allowed under this chapter for
 14 any outsourcing payment (as defined in section
 15 5000E(b)).”.

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

“Sec. 280I. Outsourcing payments.”.

20 (c) EFFECTIVE DATE.—The amendments made by
 21 this section shall apply to payments made after December
 22 31, 2025, in taxable years ending after such date.

