

119TH CONGRESS
1ST SESSION

H. R. 1496

To amend the Internal Revenue Code of 1986 to establish a credit for the domestic production of high-performance rare earth magnets, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 21, 2025

Mr. RESCENTHALER (for himself, Mr. SWALWELL, Mr. HUDSON, Ms. LEE of Nevada, Mr. CALVERT, Ms. CASTOR of Florida, Mr. OBERNOLTE, Mr. TONKO, Mr. MOOLENAAR, Mr. DELUZIO, Mr. MEUSER, Mr. PANETTA, Mr. MILLS, and Ms. HOULAHAN) 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 credit for the domestic production of high-performance rare earth 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 “Rare Earth Magnet
5 Security Act of 2025”.

1 **SEC. 2. CREDIT FOR PRODUCTION OF RARE EARTH**
2 **MAGNETS.**

3 (a) IN GENERAL.—The Internal Revenue Code of
4 1986 is amended by inserting the following new section
5 after section 45AA:

6 **“SEC. 45BB. CREDIT FOR PRODUCTION OF RARE EARTH**
7 **MAGNETS.**

8 “(a) IN GENERAL.—

9 “(1) ALLOWANCE OF CREDIT.—For purposes of
10 section 38, the credit for production of rare earth
11 magnets determined under this section for any tax-
12 able year is an amount equal to the sum of the cred-
13 it amounts determined under subsection (b) with re-
14 spect to rare earth magnets which are—

15 “(A) manufactured or produced by the tax-
16 payer, and

17 “(B) sold by such taxpayer to an unrelated
18 person during the taxable year.

19 “(2) UNRELATED PERSON.—

20 “(A) IN GENERAL.—For purposes of this
21 subsection, a taxpayer shall be treated as selling
22 rare earth magnets to an unrelated person if
23 such magnet is sold to such person by a person
24 related to the taxpayer.

25 “(B) ELECTION.—

1 “(i) IN GENERAL.—At the election of
2 the taxpayer (in such form and manner as
3 the Secretary may prescribe), a sale of rare
4 earth magnets by such taxpayer to a re-
5 lated person shall be deemed to have been
6 made to an unrelated person.

7 “(ii) REQUIREMENT.—As a condition
8 of, and prior to, any election described in
9 clause (i), the Secretary may require such
10 information or registration as the Sec-
11 retary deems necessary for purposes of
12 preventing duplication, fraud, or any im-
13 proper or excessive amount determined
14 under paragraph (1).

15 “(b) CREDIT AMOUNT.—

16 “(1) IN GENERAL.—The amount determined
17 under this subsection is—

18 “(A) \$20 per kilogram of rare earth
19 magnets manufactured or produced in the
20 United States by the taxpayer during the tax-
21 able year which are not described in subpara-
22 graph (B), and

23 “(B) \$30 per kilogram of rare earth
24 magnets manufactured or produced in the
25 United States by the taxpayer during the tax-

1 able year if not less than 90 percent by weight
2 of the component rare earth materials of such
3 magnets are produced within the United States.

4 “(2) PHASE-OUT.—

5 “(A) IN GENERAL.—In the case of any
6 rare earth magnet manufactured or produced
7 after December 31, 2034, the amount deter-
8 mined under this section with respect to such
9 rare earth magnet shall be equal to the product
10 of—

11 “(i) the amount determined under
12 paragraph (1) with respect to such rare
13 earth magnet, as determined without re-
14 gard to this subsection, multiplied by

15 “(ii) the phase-out percentage de-
16 scribed in subparagraph (B).

17 “(B) PHASE-OUT PERCENTAGE.—The
18 phase-out percentage described in this para-
19 graph is—

20 “(i) in the case of any rare earth
21 magnet manufactured or produced in cal-
22 endar year 2035, 70 percent,

23 “(ii) in the case of any rare earth
24 magnet manufactured or produced in cal-
25 endar year 2036 or 2037, 35 percent, or

1 “(iii) in the case of any rare earth
2 magnet manufactured or produced after
3 December 31, 2037, 0 percent.

4 “(c) DEFINITIONS.—For the purposes of this sec-
5 tion—

6 “(1) RARE EARTH MAGNET.—The term ‘rare
7 earth magnet’ means a permanent magnet—

8 “(A) with an intrinsic coercivity (HC_j) of
9 10 kOe or higher at 68°F (20°C), and

10 “(B) comprised of—

11 “(i) an alloy of neodymium, iron, and
12 boron, which may also include praseo-
13 dymium, terbium, or dysprosium, or

14 “(ii) an alloy of samarium and cobalt,
15 which may also include gadolinium or any
16 associated host mineral of a component
17 rare earth material.

18 “(2) COMPONENT RARE EARTH MATERIAL.—
19 The term ‘component rare earth material’ means ne-
20 odymium, praseodymium, dysprosium, terbium, sa-
21 marium, gadolinium, and cobalt.

22 “(3) MANUFACTURED.—The term ‘manufac-
23 tured’ means the manufacturing of a rare earth
24 magnet, including the milling, pressing, sintering,
25 and recycling of component rare earth material.

1 “(4) NON-ALLIED FOREIGN NATION.—The term
2 ‘non-allied foreign nation’ has the meaning given to
3 the term ‘covered nation’ in section 4872(d) of title
4 10, United States Code.

5 “(5) UNITED STATES AND POSSESSION OF THE
6 UNITED STATES.—The terms ‘United States’ and
7 ‘possession of the United States’ have the meaning
8 given such terms in section 638.

9 “(d) SPECIAL RULES.—

10 “(1) RESTRICTION ON COMPONENT
11 SOURCING.—

12 “(A) IN GENERAL.—Except as provided in
13 subparagraph (B), no credit shall be allowed
14 under this section with respect to a rare earth
15 magnet if any component rare earth material
16 used to manufacture or produce such magnet is
17 produced in a non-allied foreign nation.

18 “(B) DELAYED RESTRICTION FOR CERTAIN
19 COMPONENT RARE EARTH MATERIALS.—In the
20 case of the rare earth materials dysprosium,
21 terbium, samarium, and gadolinium, the restric-
22 tion under subparagraph (A) shall not apply to
23 magnets manufactured or produced using such
24 materials before January 1, 2027.

1 “(2) TRADE OR BUSINESS REQUIREMENT.—No
2 credit shall be allowed under this section with re-
3 spect to a rare earth magnet unless such magnet is
4 manufactured or produced in the ordinary course of
5 a trade or business of the taxpayer.

6 “(3) COERCIVITY REQUIREMENT EXCEPTION
7 FOR ELIGIBLE MANUFACTURERS.—

8 “(A) IN GENERAL.—The Secretary may
9 elect to treat a magnet which does not meet the
10 coercivity requirements of subsection (c)(1)(A)
11 as a rare earth magnet if such magnet is manu-
12 factured by an eligible manufacturer.

13 “(B) ELIGIBLE MANUFACTURER.—For
14 purposes of subparagraph (A), the term ‘eligible
15 manufacturer’ means a manufacturer that—

16 “(i) receives a grant from, or is con-
17 tracted by, the Department of Energy or
18 the Department of Defense to produce a
19 magnet, and

20 “(ii) commits to place in service a do-
21 mestic manufacturing facility that pro-
22 duces magnets that the Secretary deter-
23 mines demonstrate technological, supply
24 chain, or national security merit.

1 “(e) ELECTIVE PAYMENT FOR PRODUCTION OF
2 RARE EARTH MAGNETS.—

3 “(1) IN GENERAL.—In the case of a taxpayer
4 making an election (at such time and in such man-
5 ner as the Secretary may provide) under this section
6 with respect to any portion of the credit allowed
7 under subsection (a), such taxpayer shall be treated
8 as making a payment against the tax imposed by
9 this subtitle for the taxable year equal to the amount
10 of such portion.

11 “(2) TIMING.—The payment described in para-
12 graph (1) shall be treated as made on the later of
13 the due date of the return of tax for such taxable
14 year or the date on which such return is filed.”.

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

20 “(42) the credit for production of rare earth
21 magnets determined under section 45BB(a).”.

22 (c) CONFORMING AMENDMENT.—The table of sec-
23 tions for subpart D of part IV of subchapter A of chapter
24 1 of such Code is amended by inserting after the item
25 relating to section 45AA the following new item:

“Sec. 45BB. Credit for production of rare earth magnets.”.

1 (d) EFFECTIVE DATE.—The amendments made by
2 this Act shall apply to taxable years beginning after De-
3 cember 31, 2024.

○